

Submission by



to the

Climate Change Commission

on the

**Review on Whether Emissions from International
Shipping and Aviation Should be Included in the 2050
Target, and if so, How?
Discussion Document**

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INTRODUCTION

The Climate Change Commission has released three discussion documents as part of its review of New Zealand's journey to achieving our 2050 emission target. Export New Zealand (ExportNZ) is pleased to contribute to this work and submit our feedback on the third discussion document *Review on whether emissions from international shipping and aviation should be included in the 2050 target, and if so how*.

ExportNZ and the wider Business New Zealand Network (Annex 1) are committed to helping New Zealand achieve the obligations made within the 2015 Paris Agreement. Action should be taken in partnership with industries and businesses to ensure that effective action is taken to support climate action and to meet New Zealand's Paris Agreement obligation. As such BusinessNZ engages regularly in New Zealand's climate change policy either through the ExportNZ brand or other sector brands.

As the peak industry body for New Zealand's export sector, this submission represents a collective view of ExportNZ members and the sector we advocate on behalf of. As a vibrant and diverse sector, there will be differing views on this issue, and many businesses, exporters, and industry associations in the export sector will be making their own submissions.

In this submission, we will be concentrating our comments on the impact on New Zealand goods exporters. As 99 per cent of New Zealand goods are exported via maritime shipping, our comment will also focus on this part of the sector.

New Zealand's export sector plays a crucial role in the New Zealand economy. In the year ending December 2023, New Zealand exported \$68.63 billion in goods (\$95.47 billion including services).¹ Approximately one in four New Zealanders work in the export sector.² The majority of these jobs are held in rural regions of the country.

Climate change is a very real challenge and New Zealand's exporters are committed to taking action to reduce emissions. Exporters around New Zealand are conscious of their responsibility to reduce emissions and there is a consistent effort within the sector to respond to their obligations and changing demand from consumers and distributors.

As a small market, relative to global competition, and given our obscure geographic location away from major shipping lanes – New Zealand is a "price-taker" when it comes to decisions made in the global supply chain system. This was evident during the COVID supply chain crisis as major shipping companies regularly made decisions to skip New Zealand ports to meet berthing dates in larger ports around the Asia-Pacific.

ExportNZ's advocacy has always been focused on creating a fair and equitable trading system for New Zealand companies doing business on the international market. Ensuring that New Zealand exporters and businesses have a level playing field when competing against competitors around the world is crucial to growing larger businesses. Our comments in this submission will be consistent with our overall focus.

ExportNZ does not support including international aviation and shipping (IAS) emissions in the 2050 target in the current Review of the 2050 target. There are a number of issues outlined below, and that have already been identified by the Climate Change Commission which lead us to believe there needs to be more work internationally before we can commit to including the emissions in the 2050 Goal and levying the sector. We support New Zealand's commitment to international initiatives led by the International Maritime Organisation (IMO) and the International Civil Aviation Organisation (ICAO). We support reconsidering this issue in the near future once there is an effective global pathway to transition to green transport fuels.

¹ https://statisticsnz.shinyapps.io/trade_dashboard/

² <https://www.mfat.govt.nz/assets/Trade-General/Trade-stats-and-economic-research/MFAT-working-paper-Estimating-employment-in-NZ-producing-goods-and-services-for-export.pdf>

SUMMARY REMARKS

- ExportNZ supports the Climate Change Commission taking a balanced approach to the benefits and costs of including IAS in the 2050 target in the current environment.
- ExportNZ does not support including international aviation and shipping (IAS) emissions in the 2050 target in the current Review of the 2050 target.
- Another review and decision on the inclusion of IAS emissions in the 2050 target should be conducted in the near future.
- Any support from ExportNZ for the inclusion of IAS emissions in the 2050 target would be conditional on how several issues and concerns outlined in this submission are addressed.
- Exporters have expressed concern that this will lead to more costs forced on exporters.
- the New Zealand government should focus on building stronger relationships with key multinational shipping companies.
- ExportNZ believes that national action plans aligned with IMO and ICAO goals should be developed and submitted before including IAS emissions in New Zealand's 2050 Goal.
- Green fuel innovation is an area where New Zealand can be a leader given New Zealand's capability to produce fuels like hydrogen, methanol, and ammonia in less-carbon emitting processes.
- New Zealand must also consider its role in these supply chains when decisions impacting food exporters are made.
- ExportNZ would recommend the Government undertake an analysis of New Zealand's current and future role in maintaining global food security, and to conduct our own food security assessment.
- The government should undertake an independent analysis on the economic cost of including IAS emissions in the 2050 Target to the export and shipping sectors before making any decision.
- The Commission needs to ensure that double counting of emissions is avoided, and exporter concerns are carefully addressed.
- The New Zealand government, the IMO, and ICAO must ensure that any compliance regarding IAS emissions is fair, equitable, and not used as intentional non-tariff barriers to free trade.
- Any economic analysis on this issue in New Zealand will need to be fair and balanced and ensure that we have a detailed understanding of the facts and figures involved.
- Carbon Leakage is a very real issue risk. The Commission and the government must ensure that they take a global perspective on IAS emissions and analyse the work that key competitors in our key export sectors are progressing.
- ExportNZ believes New Zealand's approach to treating IAS emissions should be within the context of action taken overseas and ensure international consensus with a pathway to decarbonising the industry.
- ExportNZ believes that IAS emissions should be accounted for separately as Aviation and Maritime emissions.

COMMENTS ON THE REVIEW

CHAPTER TWO – Key Issues

Consultation Question: Is there any further information or evidence the Commission should consider on the national and global context or technology opportunities for making decisions on including international shipping and aviation emissions in the 2050 target?

ExportNZ **does not support including international aviation and shipping (IAS) emissions in the 2050 target** in the current Review of the 2050 target. Another review and decision on the inclusion of IAS emissions in the 2050 target should be conducted in the near future. Any support from ExportNZ for the inclusion of IAS emissions in the 2050 target would be conditional on how several issues and concerns outlined in this submission are addressed.

ExportNZ supports the Climate Change Commission taking a balanced approach to the benefits and costs of including IAS in the 2050 target in the current environment. ExportNZ believes New Zealand's approach to treating IAS emissions should be within the context of action taken overseas and ensure that there is international consensus with a pathway to decarbonising the industry.

Given New Zealand's market size, distance from key global shipping routes, and the fact our exporters are reliant on large international shipping companies – we do not believe there are many levers for New Zealand to pull to influence decisions made in the global transition away from current IAS technology.

Export Concerns Regarding Competitiveness

ExportNZ is concerned that a commitment to include IAS in the 2050 Target could harm New Zealand exporter's competitiveness in international markets.

Exporters have expressed concern that this will lead to **more costs forced on exporters**. Especially in a sector that is still recovering from unprecedented pressure between 2020 and 2023, a current economic slowdown that is affecting demand for key New Zealand exports, and issues on key trading routes which are causing uncertainty, delays, and significant price spikes.

Increasing costs on exporters to access raw materials from overseas and send goods overseas will put our export sector at a disadvantage compared to competitors who do not face the same consequences.

Our distance to market, reliance on exporting goods, and geographic location means that New Zealand exporters are reliant on maritime shipping more than many of their competitors who may have alternative solutions to transport goods to consumers either internationally or domestically.

The Commission's paper identifies New Zealand as being globally recognised for its focus on sustainability and protecting the environment, and New Zealand derives some brand value from this recognition. However, it is difficult for exporters to see how including IAS emissions will help grow this brand value if they are unable to leverage other less carbon-emitting fuels and technology to show that action is being taken.

Implementing ambitious targets that could make us less competitive in international markets, while also not having the capability to transition to greener fuels and leverage the marketability of this action, is counter-intuitive and could harm New Zealand exporters' reputation in international markets.

Follow the International Players

The IMO 2023 Strategy outlines "*promoting an equitable transition*" and then goes on to set goals of reducing 2030 greenhouse gas emissions in the sector by at least 20 per cent, and 70 to 80 per cent by 2040.³

While there is agreement on the goal for the sector globally, ExportNZ encourages the Commission to seek international consensus on the strategy to transition away from current technology and fuels. New

³ <https://www.imo.org/en/OurWork/Environment/Pages/2023-IMO-Strategy-on-Reduction-of-GHG-Emissions-from-Ships.aspx>

Zealand should be a 'close follower' of the work to achieve these goals and the policy levers that the IMO intends to introduce. ExportNZ would like to stress that it believes that the issues surrounding IAS emissions are an international problem and one that will take large multinational shipping companies and agreements between states to solve. While New Zealand should not skirt its obligations to international treaties and goals, it is unlikely that including IAS emissions in New Zealand's 2050 will lead to greater international action than is already occurring.

Given the ambitious targets, the fact that the technology and infrastructure to transition to greener fuels is not prevalent and that New Zealand is not on a key shipping route, ExportNZ feels it is unlikely that shippers will prioritise bringing the latest, low-emissions ships to New Zealand in the near future, instead prioritising key routes in the European Union and North America.

To change this, **the New Zealand government should focus on building stronger relationships with key multinational shipping companies** (MSC, Maersk, COSCO) to use and invest in New Zealand as a testing ground for new technologies and fuels in the shipping sector. Even going as far as co-investing in technology and infrastructure to progress New Zealand's green transition and to help develop new industries for creating green fuels and energy sources for maritime transport.

New Zealand has often been used to test new products and technologies in different sectors and given New Zealand's strong sustainability reputation, may be an opportunity to ensure New Zealand is prioritised for investment in sustainable shipping by the global shipping sector.

The IMO 2023 Strategy also encourages countries to develop and submit national plans of action. As the Commission's paper mentions, New Zealand has not yet submitted a plan of action, while only eight countries have done so. The International Civil Aviation Organisation also encourages countries to develop a national action plan. **ExportNZ believes that national action plans aligned with IMO and ICAO goals should be developed and submitted before including IAS emissions in New Zealand's 2050 Goal.** This would ensure that New Zealand stays compliant with what action is expected by the IMO, establishes an internationally aligned strategy to address emissions and transition to greener fuels, and allows the sector and government an opportunity to develop a joint pathway forward.

The Commission's own paper acknowledges that *"while the international air and sea transport sectors are targeting net zero greenhouse gas emissions by 2050, the current global action is inadequate to deliver the emissions reductions to achieve that."*⁴

This begs the question – given IAS transition is a problem that requires global solutions and action, does the inclusion of IAS emissions in New Zealand's 2050 Target significantly help influence decision-making and push for faster action by the IAS sector globally?

Technology and Infrastructure Gaps

ExportNZ's main concern is regarding New Zealand's capability to transition to greener fuels and technology. If we are not able to transition away from current fuels, while also including the current emissions in New Zealand's carbon zero goal, and potentially implementing an emissions trading scheme – ultimately, it is the exporter and the consumer who would bear the brunt of the costs of an ETS scheme as well as the cost of the investment for a green transition.

ExportNZ believes there is more work that can be done to build a national consensus on an IAS green transition strategy and stronger relationships with overseas actors in the sector. A transition plan and introduction of green fuels would also require significant investment in port and airport infrastructure, facilities to create green fuels in New Zealand, and refuelling/recharging facilities. It is likely that such investment would require private and public funding.

On the other hand, we agree with the Commission that New Zealand also runs the risk of being left behind. Given the long lifespan of shipping vessels, New Zealand runs the risk of being stuck with older generations of less efficient ships should New Zealand not follow developments in the green maritime transition, and not have the infrastructure and capability to receive newer, more fuel-efficient ships.

⁴ https://www.climatecommission.govt.nz/public/Uploads/ISA/20240403_ISA-Discussion.pdf, pg. 38.

This is why it would be important for the New Zealand government, agencies, and private sector players to strengthen ties with multinational shipping companies and ensure that we are part of the technology transition.

Green fuel innovation is an area where New Zealand can be a leader given New Zealand's capability to produce fuels like hydrogen, methanol, and ammonia in less-carbon emitting processes. The cost of alternative fuels for the IAS sector are currently exorbitant given the early-stage development phase they are currently in. It will take investment and time for alternative fuels to lower to an acceptable cost. If New Zealand were able to develop a competitive advantage in green fuels, it may help drive interest from shipping companies to work with New Zealand to develop port capabilities as well as develop new export opportunities.

ExportNZ also agrees that the current regulatory system is not fit-for-purpose when it comes to developing and implementing alternative fuels. We would also add that the regulatory environment is not fit for the type of infrastructure investment and build, or research and development that is required for New Zealand to be a 'fast follower' of advancements in the IAS sector.

These conversations are ongoing in the shipping sector, we note a short summary of Maersk McKinney Moller Centre for Zero Carbon Shipping workshop from November 2023⁵, which succinctly summarises the current conversation regarding green fuels and the need to invest in port infrastructure.

Paris Agreement Obligations

The Commission's consultation document outlines the Paris Agreement's expectation for developed countries like New Zealand to take the lead on emissions reductions. However, it is also important to mention the specific reference made in the Paris Agreement to protecting and prioritising food production and food security.

The Agreement outlines the parties to the agreement will recognise the:

*"Fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change."*⁶

Article 2.1., states that in enhancing implementation of the Convention, including its objective aims to strengthen the global response to climate change, in the context of sustainable development...:

*"(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production;"*⁷

New Zealand exported \$53.3 billion worth of food and fibre in the year ending June 2023.⁸ This was approximately 55 per cent of total exports for that year. New Zealand exports between 85 and 90 per cent of produce and can help feed more than 40 million people around the globe.⁹

New Zealand's Ministry for Primary Industries consultation paper "*The Future of Aotearoa New Zealand's Food Sector*" discusses the forecast needs of the global population by 2050. The paper states that, there will be 9.7 billion people by 2050 and consumers will need 56 per cent more food by this date. The document also states they expect to see an increase in demand for food products for an aging population, as well as higher demand in Asia and Africa. The paper also notes an expected increase in demand for sustainable and ethical food that also meets demands for value, quality, and taste.¹⁰

⁵ https://www.cbaff.org.nz/application/files/6017/0174/3775/NZ_Role_in_Green_shipping.pdf

⁶ https://unfccc.int/sites/default/files/english_paris_agreement.pdf, page III.

⁷ Ibid., page 3.

⁸ <https://www.beehive.govt.nz/release/new-zealand-food-and-fibre-exports-leap-533-billion-result>

⁹ <https://www.asurequality.com/about/news/welcome-to-asurequalitys-china-marketing-insight-series/>

¹⁰ <https://www.mpi.govt.nz/dmsdocument/55306-The-future-of-Aotearoa-New-Zealand-s-food-sector-Exploring-demand-opportunities-in-the-year-2050#:~:text=Food%20is%20the%20foundation%20of,totalling%20%2442.3%20billion%20in%202022.&text=It%20currently%20represents%2062.8%25%20of%20the%20%2467.3%20billion%20total%20export%20goods>. Page 12.

As food security around the world increasingly becomes a serious concern, as a net-positive food producer and exporter, **New Zealand must also consider its role in these supply chains when decisions impacting food exporters are made.**

As approximately 85-90 per cent of New Zealand's food production is exported, food producers derive most of their earnings from selling to overseas markets. If exporting becomes uneconomical due to increased costs, New Zealand could also see massive disruption to its own food security as food and beverage businesses restructure to fit the new environment or shut down due to lost revenue.

ExportNZ would recommend the Government **undertake an analysis of New Zealand's current and future role in maintaining global food security, and to conduct our own food security assessment.**

CHAPTER THREE – Potential Impacts & the Choice to Make

Consultation Question: Is there any further information or evidence the Commission should consider on the potential impacts or policy options if international shipping and aviation emissions were included in the target?

Cost to Exporters

Exporters are concerned about the potential for cost increases should IAS emissions be included in New Zealand's 2050 Goal. The potential for 'sticks' like an ETS for IAS emissions can mean exported goods can be even less competitive on price when compared to similar goods from competing countries that do not have a similar IAS-inclusive emissions target, nor an ETS that charges their producers for said emissions. This would double down on the already inflated cost of shipping that exporters have faced post-COVID, and the more expensive supply chains due to New Zealand's geographic location and distance away from key markets.

Given the slow development of alternative, green fuels, and the time it may take for a viable, affordable alternative to come to market. **The government should undertake an independent analysis completed on the economic cost of including IAS emissions in the 2050 target** to the export and shipping sectors, before any decision is made.

Double Counting Concerns & Compliance Costs

Exporters have also signalled concerns about the possibility of doubling counting emissions with various initiatives being organised to measure and address IAS emissions. This has the potential to damage New Zealand's reputation if New Zealand IAS emissions are inflated due to an accounting error, and **the Commission needs to ensure this will not be the case and that these concerns are carefully addressed.**

The very real possibility of different IAS emissions schemes, and initiatives, and the compliance required to meet these is also a reason to align with the IMO and ICAO initiatives and ensure that any compliance and cost required is kept to a minimum.

Over-compliance and reporting to different requirements can quickly overwhelm businesses and exporters with large cost and time burdens. Given that most New Zealand exporters are considered small-to-medium enterprises (that is 20 full-time employees or fewer, this can be a deciding factor in whether a business chooses to export or not. Exporters are already seeing a rise in sustainability compliance required in various markets and equate these to a new generation of non-tariff barriers that are designed to protect domestic markets.

The New Zealand government, the IMO, and ICAO must ensure that any compliance regarding IAS emissions is fair, equitable, and not used as intentional non-tariff barriers to free trade.

Staying Connected to the Rest of the World

Given the importance of New Zealand's export sector (including tourism and international education)¹¹, ExportNZ highlights the importance of keeping New Zealand connected with international markets and visitors. Point Eight of the Commission's 'Summary of Likely Impacts' on page 45 of the discussion document shows that there is a fine line to this discussion, many in the export sector would be concerned that including a possible cost to IAS emissions would increase prices and therefore be another barrier to international consumers accessing New Zealand goods or visiting our country.

Any economic analysis on this issue in New Zealand will need to be fair and balanced and ensure that we have a detailed understanding of the facts and figures involved.

Carbon Leakage

The Commission's paper (page 56) identifies an issue that ExportNZ and BusinessNZ have raised in the past regarding emissions pricing in New Zealand's agricultural sector.¹² Because New Zealand exporters compete in a competitive global market, **Carbon Leakage is a very real issue risk**. The Commission and the government must ensure that **they take a global perspective on IAS emissions and analyse the work that key competitors in our key export sectors are progressing**. It is important that New Zealand exporters are not disadvantaged on the global market because of the inclusion of IAS emissions in New Zealand's 2050 Target. It is also important that New Zealand goods are not displaced by goods that produce more emissions during their production – this would defeat the purpose of including IAS emissions in New Zealand's 2050 Target and undermine the whole reason for doing so here in New Zealand and globally.

Alternative Fuels & Infrastructure

ExportNZ, along with our BusinessNZ Network brands (including the BusinessNZ Energy Council and Sustainable Business Council) are supportive of the efforts of successive governments to explore and develop opportunities for alternative fuels. ExportNZ, via our Network, actively participates in discussions by the government and agencies regarding the development of alternative fuels, their future uses, and the opportunity to export green, alternative fuels and energy around the world.

As previously mentioned, any transition will face significant infrastructure gaps, and any investment will likely be significant. ExportNZ would expect any transition strategy to also include a comprehensive assessment of the required investment and the cost involved, as well as a plan to cover the costs involved.

CHAPTER FOUR – Options for Measuring Emissions

Consultation Question: If international shipping and aviation emissions were included in the 2050 target, which of these options for counting the emissions would you support?

Given that ExportNZ does not support including IAS emissions in the 2050 Target, is it not suitable this submission to cover which option is most favoured by ExportNZ.

ExportNZ supports the Climate Change Commission taking a balanced approach to the benefits and costs of including IAS in the 2050 target in the current environment.

ExportNZ believes New Zealand's approach to treating IAS emissions should be within the context of action taken overseas and ensure international consensus with a pathway to decarbonising the industry.

¹¹ <https://www.mfat.govt.nz/assets/Trade-General/Trade-stats-and-economic-research/MFAT-working-paper-Estimating-employment-in-NZ-producing-goods-and-services-for-export.pdf>

¹² <https://exportnz.org.nz/wp-content/uploads/2022/11/2022-BusinessNZ-ExportNZ-Submission-to-MfE-Pricing-Agricultural-Emissions-Consultation-Documents.pdf>

CHAPTER FIVE – Option for Including These Emissions in the 2050 Target

Consultation Question: If international shipping and aviation emissions were included in the 2050 target, which of these options for the structure of a target would you support?

ExportNZ does not support including international aviation and shipping (IAS) emissions in the 2050 target in the current Review of the 2050 target. In any case, **ExportNZ believes that IAS emissions should be accounted for separately as International Aviation and Maritime emissions.**

This is because the uses of each mode of transport are different. The majority of New Zealand goods are exported and imported to/from New Zealand via maritime shipping, while the majority of people visiting or departing New Zealand will travel via air travel.

The alternative fuels used by each mode of travel are also expected to be different and therefore the transition pathway to zero carbon will be different.

ANNEX 1.

ABOUT BUSINESS NEW ZEALAND

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Business Canterbury](#), and [Business South](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium-sized businesses
- [Affiliated Industries Group](#) of National Industry Associations
- [ExportNZ](#) representing New Zealand exporting enterprises.
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises.
- [Sustainable Business Council](#) of Enterprises Leading Sustainable Business Practice
- [BusinessNZ Energy Council](#) of Enterprises leading sustainable energy production and use.
- [Buy NZ Made](#) representing producers, retailers, and consumers of New Zealand-made goods.

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

ABOUT EXPORT NEW ZEALAND

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and have approximately 2,000 export members around the country.

ExportNZ advocates for, inspires, connects, and celebrates New Zealand exporters. We aim to build a thriving ecosystem that supports each other.

We are exporters helping exporters.

BusinessNZ Network

