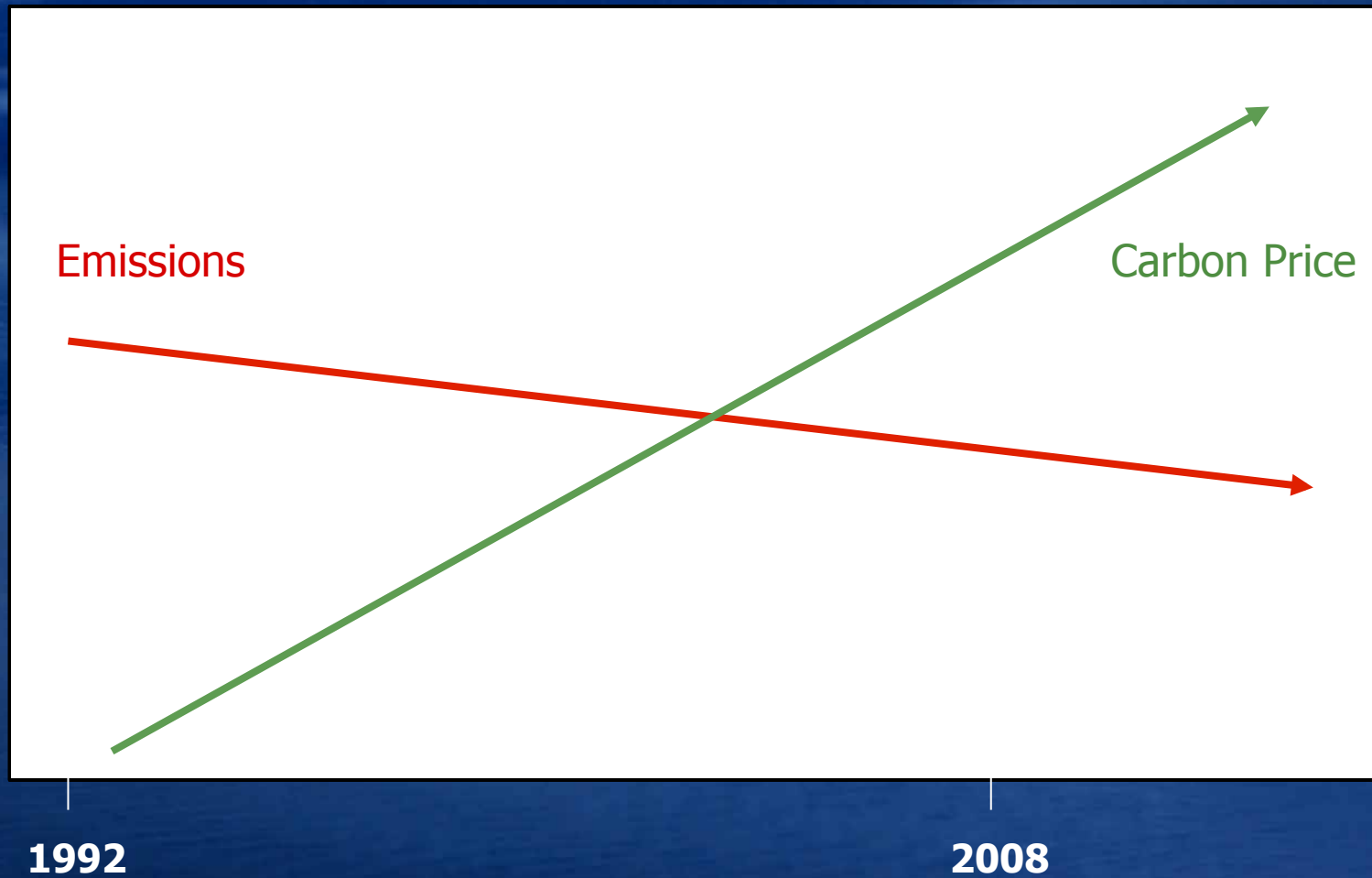


Why Carbon Budgeting is Key to Serious Progress

Presentation to: *Wise Response Strategy Workshop*
27 January 2016

Simon Terry
Sustainability Council

Once Upon a Plan ... post Rio '92



Reality was Different



Constraints Have Tightened

Already too much carbon in the atmosphere on any reasonable risk assessment

Plans that emit additional carbon deal in odds for “safety” that no prudent operator of critical infrastructure would be seen dead with

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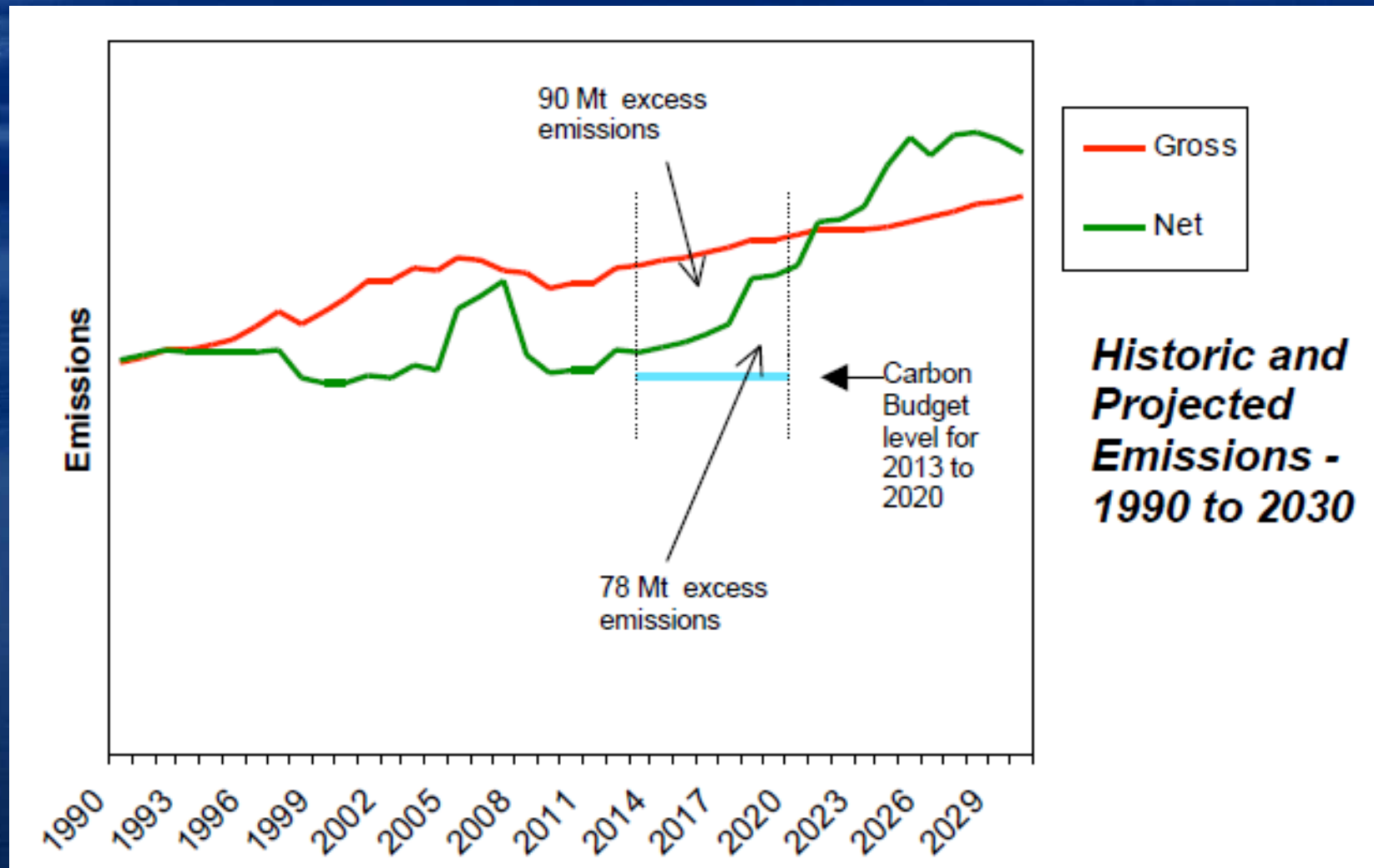
ppm CO₂

(Hansen, 2008)

NZ Living on Borrowed Credits

- New Zealand's excess emissions are not manifesting as large bills at present because the government is offsetting excess fossil emissions by claiming credit for carbon sequestered in crop forests
- However, the owners of crop forests providing those credits generally intend to fell their trees in the 2020s
- When the forests are logged, the excess emissions that New Zealand ducked come back as a liability for a 2020s government

Forests Turn from Sink to Source

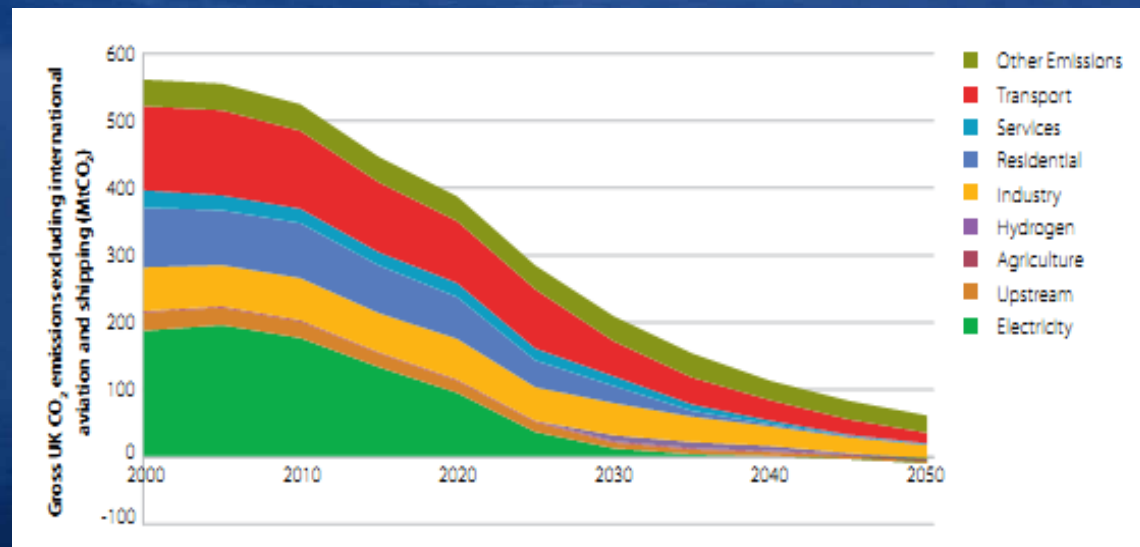


Carbon Budgeting

- Carbon Budgeting is essential to planning for serious emission reductions
- Takes targets, assesses the options, and describes an overall plan for achieving outcomes
- **Carbon Budgeting puts emphasis on outcomes, not pricing inputs**

Develops Sector Action Plans

- A carbon budget details expected carbon flows and how to reduce them by practical actions
 - sets limits on total emissions
 - develops action plans for each sector
- UK plan to cut to 80% below 1990 levels by 2050



Accounts in Carbon, not Dollars

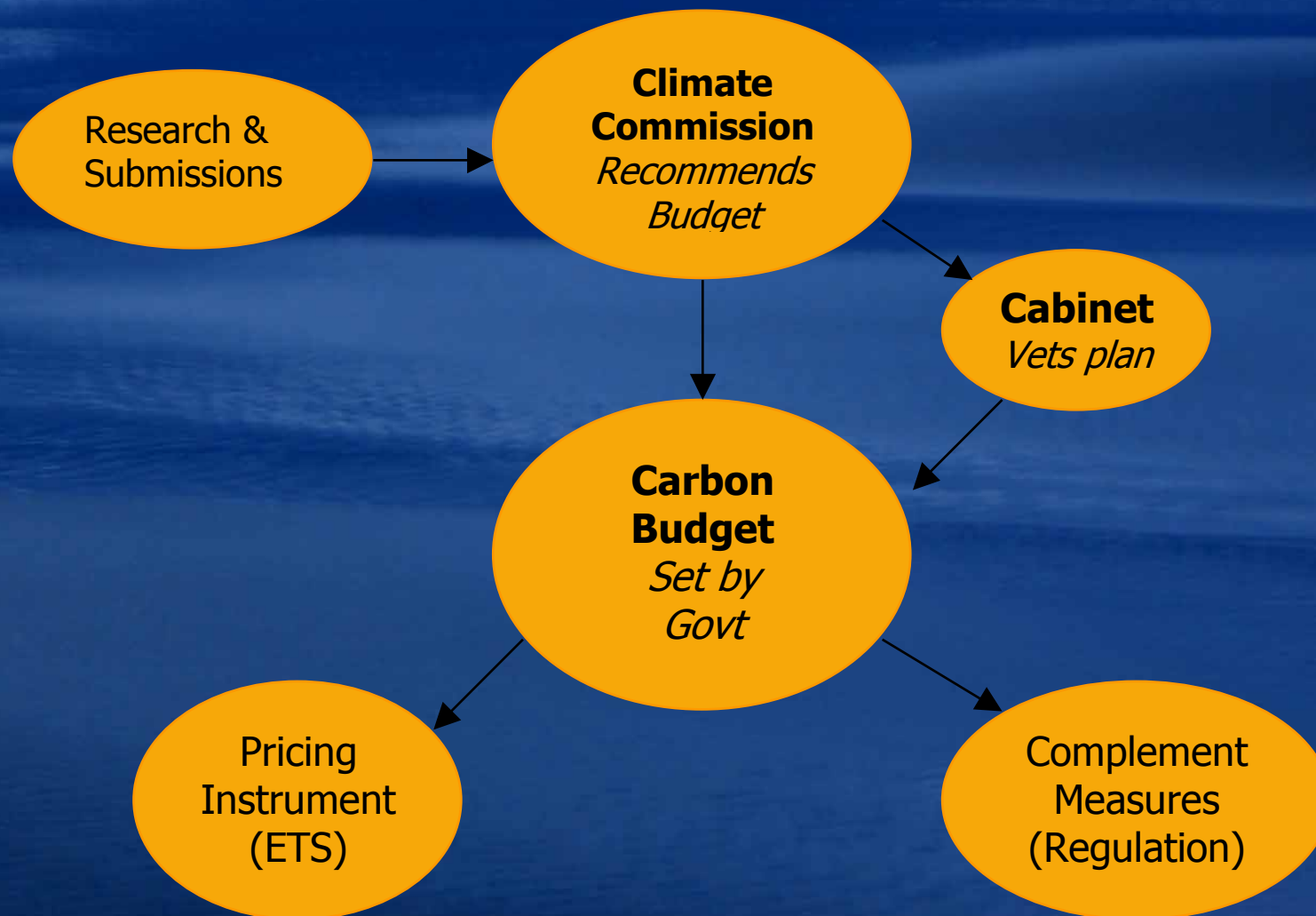
- Carbon budgets are written in tonnes of carbon, not dollars or carbon credits
- Driven off emission reduction commitments specified in legislation
- A series of five year budgets are struck as the actual potential to cut is identified

**Integrates carbon pricing (eg ETS)
and complementary measures**

A Climate Commission

- A Climate Commission is needed to run the carbon budgeting process
- Works with stakeholders to explore options and their costs to devise sector action plans
- Estimates the impact of:
 - **pricing instruments** and
 - **non-price regulatory measures,**and tests combinations against the government's financial constraints

The Budget Setting Process



Carbon Budget for NZ

- NZ needs to specify a carbon budget
- But short term, there will be priority actions that common to any budget
- So rather than sweating the end goal at this point, need to be clear about those priority acitons

ETS vs Carbon Tax

- **Under current ETS settings**, in 2030 gross emissions will be just **0.4%** lower than if the government had taken no action
 - Can get equally appalling results from a carbon tax as from an ETS
 - They are tools, not plans
- Need a hard focus on outcomes, and the plan to get there**
- Either tool can be used as part of the delivery

ETS Review

- The ETS review will not have carbon budgeting within its scope
- But the review process is an important opportunity to raise the Carbon Budgeting issue and press for its adoption in New Zealand

“Nature does not do bailouts”

- When the world decides to keep carbon down (the Paris agreement is not that point), NZ is going to pay
- Carbon responsibilities will be enforced with trade sanctions
- NZ is storing up trouble for the future and ignoring its moral responsibility to act
- Carbon budgeting provides a mechanism to progressively decarbonise and plan for resilience against shocks