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## **WELLINGTON CITY'S 2013 CLIMATE CHANGE ACTION PLAN AND THE COUNCIL'S CARBON MANAGEMENT POLICY**

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### **1. Purpose of report**

This report seeks approval of Wellington City's 2013 Climate Change Action Plan (CCAP) for publication in September 2013 and approval of a draft amendment to the Council's Carbon Management Policy (CMP) for consideration under the next draft Annual Plan.

### **2. Executive summary**

Consistent with SPC decisions on 16 May 2013, officers have prepared a 2013 revision of the CCAP that aligns with the current strategic direction for the city, extends existing initiatives, includes new initiatives previously agreed by the Council and creates a platform for stakeholder engagement on both mitigation and adaptation. Approval is sought to adopt the 2013 CCAP, subject to any revisions, for publication by the end of September 2013.

The 2013 CCAP carries forward long-term objectives that could be transformational in placing Wellington's economy on a resilient low-carbon development pathway. However, this transformation will not happen through "more of the same." We will need to deliver large-scale changes to how we generate energy, consume energy in our homes and commercial buildings, manage transport challenges across the city and shape our compact development. We will need to plan carefully to manage the long-term impacts of sea level rise on our coastal development and infrastructure. Changes on this scale will require broad public support, demonstration of a clear business case and committed partnerships; they will not happen only because it is the "right" thing to do.

Officers will report back to the Council in the lead-up to the next Annual Plan and Long-term Plan with bold opportunities to show leadership, build partnerships and invest strategically in initiatives that will make our city more competitive and resilient in a future of carbon constraints and climate impacts. One example is promoting energy performance contracting in Wellington; enabling projects to be financed through their energy savings could overcome barriers to energy efficiency and distributed renewable generation projects and create new business opportunities. Another example is boosting investment in housing retrofits; in the current year, the Council's investment of \$100k in Warm Up Wellington is leveraging investment of \$350k from project partners and this could increase in future years.

The Council's forest land is valuable natural capital which generates many kinds of returns for our city. Among them is revenue from emission units issued under the Permanent Forest Sink Initiative (PFSI) and New Zealand Emissions Trading Scheme (NZ ETS). Officers recommend amending the CMP to enable reinvestment of a share of revenue from the sale of the Council's forestry units to protect or enhance the Council's forest carbon stocks. This could increase the value of the asset, possibly capture a price premium in the market, enhance our reputation and support the interests of volunteers. One possible mechanism would be establishment of a forest carbon reserve fund. It would be appropriate for any such revision to undergo consultation, which would need to occur after the October 2013 election. SPC could agree now to a draft amendment to the CMP as the basis for further policy design and consultation under the next draft Annual Plan.

### **3. Recommendations**

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Agree to adopt Wellington City's 2013 Climate Change Action Plan, subject to amendments as provided in recommendation 3.*
3. *Agree to delegate to the Chief Executive and the Climate Change Portfolio Leader the authority to amend the 2013 Climate Change Action Plan based on amendments agreed by the Committee and any consequential or minor edits.*
4. *Note that the 2013 CCAP is proposed for adoption on the basis of consultation and engagement that has already been conducted separately on the primary measures it contains.*
4. *Note that the 2013 Climate Change Action Plan will be published by the end of September 2013.*
5. *Note that officers will propose transformational initiatives for consideration in the next Annual Plan and Long-term Plan to help achieve the longer-term objectives of the 2013 Climate Change Action Plan.*
6. *Agree to the following draft amendment to the Council's Carbon Management Policy as the basis for policy design and consultation under the next draft Annual Plan:*
  - (a) *Deletion: "Revenues generated from the sale of emission units or from costs recovered by way of fees and charges will be treated as other revenues received by the Council. There will be no ring-fenced use of revenues arising from the Council's response to the New Zealand Emissions Trading Scheme."*

- (b) *Insertion: “The Council will reinvest a share of revenue from the sale of forestry emission units under the New Zealand Emissions Trading Scheme or Permanent Forest Sink Initiative to protect or enhance the Council’s forest carbon stocks. Other revenues generated from the sale of emission units or from costs recovered by way of fees and charges in regard to the New Zealand Emissions Trading Scheme will be treated as other revenues received by the Council.”*

## **4. Background**

### **4.1 Wellington City’s 2013 Climate Change Action Plan**

Wellington City’s 2010 CCAP was developed with a two-year time horizon. In May 2013, SPC directed officers to prepare a 2013 CCAP for the period from 2013 through 2015 that consolidates and extends existing climate-related initiatives and integrates new initiatives with prior Council approval. Because such initiatives had undergone prior consultation, engagement or public announcement, SPC chose to proceed with issuing the 2013 CCAP without further formal consultation. However, using the 2013 CCAP as a platform, SPC agreed that the Council would lead a multi-stakeholder process to define a pathway for meeting Wellington City’s 2020 target that delivers value to the city, has broad public ownership and support and will form the basis for a 2015 CCAP. SPC had previously agreed to significant engagement on climate change adaptation with a focus on sea-level rise.

### **4.2 Council Carbon Management Policy**

The CMP was agreed in February 2011 to guide Council decisions on managing its greenhouse gas emissions-related liabilities and assets. In May 2013, SPC directed officers to prepare advice on options for revising the CMP to reflect changes in the carbon market and to enable the use of revenue from forestry unit sales to support native vegetation initiatives.

## **5. Discussion**

### **5.1 Wellington City’s 2013 Climate Change Action Plan**

The 2013 CCAP is designed for city, national and international audiences. It follows the same framework as the previous plan but now incorporates the goals of *Wellington 2040: Smart Capital*. It provides updated context information on the case for smart climate action in Wellington. It extends existing measures with improvements and adds the following measures:

1. Participation in the UN-Habitat City Resilience Profiling Programme and UNISDR Making Cities Resilient Campaign
2. Water-sensitive urban design
3. Smart Energy Capital
4. Support for NABERS-NZ™ benchmarking
5. Exploring options for a rental housing warrant of fitness
6. Measures associated with the refresh of the Wellington Transport Strategy
7. Supporting a consortium to promote uptake of electric vehicles
8. Expanding Kai to Compost
9. Assessment of emission reduction options under the proposed extension of the Wellington International Airport runway

10. Relevant research partnerships under the Council's Our Living City work programme
11. Increased public participation, including major engagement initiatives on both mitigation and adaptation.

Key messages in the 2013 CCAP are:

1. For Wellington to thrive in a future of growing carbon constraints and climate impacts, we need to take action to reduce our greenhouse gas emissions and our vulnerability to extreme weather events and sea level rise. Wellington is responding to this challenge through both mitigation and adaptation initiatives across the Council and the community.
2. The actions we have taken since 2010 are helping to limit emissions growth in the context of an expanding population and economy. They are also improving our quality of life, enhancing our resilience, creating business opportunities and helping to establish Wellington as a centre of excellence for urban planning, resilience and ecological sustainability.
3. In the 2013 Climate Change Action Plan, we are extending and improving existing initiatives and integrating new ones. Highlights include Smart Energy Capital, the refresh of the Wellington Transport Strategy, participation in UN resilience programmes and enhanced research partnerships.
4. Both the city and the Council have ambitious emission reduction targets. By 2020, the city aims for a 30 percent reduction from 2001 levels and the Council a 40 percent reduction from 2003 levels. By 2050, both the city and Council aim for an 80 percent reduction relative to the respective base year.
5. Achieving the plan's emission reduction targets and the longer-term objectives for change will require major shifts in behaviour, investment and action by Wellingtonians.
6. To help lead this change, the Council proposes to target the leverage points to gain big shifts: how we generate energy and use it in our homes and buildings, how we manage transport challenges, how we enhance our forests and how we achieve gains from compact development.
7. The 2013 plan creates a platform for launching stakeholder engagement on both mitigation and adaptation starting in the coming year. We want to gain broad support for resilient low-carbon development from businesses, communities and Māori as well as household and organisational commitment to action. We want to leverage public and private investment and create new partnerships to drive change.
8. Wellington will need supporting policies from, and partnerships with, regional and central government to achieve its ambitious climate change objectives. The Council aims to advocate for improving regional and national policies that have implications for climate change mitigation and adaptation.

Following adoption, the 2013 CCAP will be published by the end of September 2013 so implementation can commence immediately. The 2013 CCAP will be

supplemented by a separate report on an updated greenhouse gas inventory and projections in early 2014.

The scope of actions in the 2013 CCAP will move the city in the right direction but will not be sufficient to meet the emission reduction targets for 2020 and beyond or make the city's economy and environment resilient to climate change. Officers will report back to the Council in the lead-up to the next Annual Plan and Long-term Plan with bold opportunities to show leadership, build partnerships and invest strategically in new initiatives.

## **5.2 Council Carbon Management Policy**

The current CMP mandates that revenue from emission unit sales and cost recovery under the New Zealand Emissions Trading Scheme (NZ ETS) (and by implication the Permanent Forest Sink Initiative, PFSI) is to be treated as other Council revenues and does not permit ring-fencing. It also specifies that any new initiatives to increase carbon sequestration will be considered by the Council either as part of the draft Annual Plan or Long-term Plan processes.

The Council could opt to amend the CMP and enable reinvestment of a share of revenue from sales of Council forestry emission units to protect or enhance the Council's forest carbon stocks. Such changes would require consultation under the next Annual Plan or Long-Term Plan. Given the upcoming election, the Council could choose to maintain the status quo (leaving any changes to a future Council) or agree now to a draft amendment that would be subject to consultation under the next Annual Plan (or Long-Term Plan if preferred).

The proposed change would make additional funding available for planting, pest management and similar activities on Council land, thereby increasing the Council's forest carbon assets and generating other co-benefits. The funding could apply to both indigenous and exotic forests. It could increase the desirability of the Council's forestry emission units for buyers who want to support forestry activities, which may mean we could achieve a price premium. It would support the interests of volunteers helping to plant trees on Council land. These benefits would enhance Wellington's reputation and credibility as well as the potential return on the Council's forestry investment.

The magnitude and timing of forestry emission unit revenue would be dependent on market forces and highly uncertain. There could be a time lag between revenue intake and expenditure. The table below demonstrates the possible range of revenue under different carbon prices, using actual data on current forestry emission unit holdings and rough assumptions for the rate of annual carbon uptake over the next five years.

The rate of uptake would be expected to decrease over time as the forests reach maturity.

<b>Forestry emission units: PFSI and NZ ETS</b>	<b>Current Council holdings</b>	<b>Annual increment (estimated)</b>
Number of units	154,686	29,000
<b>Value at different carbon prices (\$/t CO<sub>2</sub>-e)</b>		
\$3	\$ 464,058	\$ 87,000
\$10	\$1,546,860	\$ 290,000
\$25	\$3,867,150	\$ 725,000
\$50	\$7,734,300	\$1,450,000

We recommend three guiding considerations:

1. Core funding for the Council’s forest management activities must not be dependent on future forestry emission unit revenues because of the uncertainties involved and high level of price volatility in the carbon market.
2. To increase the desirability of our emission units and to potentially capture a premium on price and enhance our reputation, it would be necessary to be able to demonstrate to the market how forestry emission unit revenues were being used.
3. Flexibility should be maintained around how forestry emission unit revenues are directed in the context of evolving forestry emission unit values, forest management needs and broader Council priorities.

One mechanism that could satisfy these principles is the establishment of a forest carbon reserve fund supported by forestry emission unit revenues. The ongoing use of this fund could be decided under each Annual Plan and Long-term Plan. If the Council chose to amend the CMP, the design details for a forest carbon reserve fund or other mechanism could be decided and undergo consultation under the next draft Annual Plan.

### **5.3 Update on the Wellington City greenhouse gas inventory and projections**

Wellington City Council is leading a joint project with Greater Wellington Regional Council, Porirua City Council, Hutt City Council, Kapiti Coast District Council and Upper Hutt City Council to prepare an updated greenhouse gas inventory and projections for the Wellington Region with a breakdown for Territorial Authorities, including the districts of Carterton, Masterton and South Wairarapa. We have also seized an opportunity to register the Wellington Region as a pilot participant using the Global Protocol for Community-Scale GHG Emissions (GPC), which is emerging as best international practice in community inventories. Thirty-three cities are participating so far, including Palmerston North. This will enable our regional experience to benefit other countries, enable us to tap into the best available expertise and raise the profile

of the region. The final report on both the inventory and projections should be completed by March 2014. It would stand alongside the 2013 CCAP.

#### **5.4 Consultation and engagement**

Consistent with the paper considered by SPC on 16 May 2013, the 2013 CCAP is proposed for adoption on the basis of consultation and engagement that has already been conducted separately on the primary measures it contains. However, the draft has undergone select peer review, including by some members of the Environmental Reference Group. The 2013 CCAP creates a platform for significant stakeholder engagement on longer-term mitigation and adaptation in the coming year.

If a draft amendment to the CMP were agreed, it would be subject to consultation under the next draft Annual Plan.

#### **5.5 Financial considerations**

The 2013 CCAP reports the budget allocated specifically for climate change actions since 2010, and also notes that climate change objectives are further supported by funding under other relevant Council programmes.

Achieving the emission reduction targets and longer-term objectives maintained under the 2013 CCAP will require significant new investment by the Council and community. Officers will propose new climate change initiatives for consideration in the next Annual Plan and Long-term Plan.

The proposal to amend the CMP would divert a share of revenue from the sale of forestry emission units specifically for reinvestment in protecting or enhancing the Council's forest carbon assets. As noted above, it is difficult at this point in time to estimate the timing and magnitude of this revenue stream. The return on the investment would vary according to what forestry measures were implemented and how the market valued the additional emission units accruing to the Council. By establishing a forest carbon reserve fund or a similar mechanism, the Council would retain some flexibility over how and when the revenue was spent under subsequent Annual Plans and Long-term Plans. The precise financial considerations would depend on final policy design, which would be conducted as part of developing the next draft Annual Plan.

#### **5.6 Climate change impacts and considerations**

The measures in the 2013 CCAP will support Wellington City and Wellington City Council with meeting their greenhouse gas emission reduction targets and improving the city's resilience to climate change impacts.

The draft amendment to the CMP would enable additional investment in protecting and enhancing the Council's forest carbon stocks, which produces a climate change benefit.

#### **5.7 Long-term Plan considerations**

Progress and engagement under the 2013 CCAP will set the stage for decisions under the Long-term Plan 2015-25 on policy priorities and budget allocations to

help Wellington City and Wellington City Council with achieving their longer-term objectives for climate change mitigation and adaptation.

The management of the forest carbon reserve fund could be evaluated and adjusted as desired under each Long-term Plan.

## **6. Conclusion**

The decisions recommended in this paper will enable the Council to proceed seamlessly with implementing the next phase of Wellington City's CCAP and the Council's CMP. This work remains essential to preparing Wellington to thrive in a future of growing carbon constraints and climate impacts.

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## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

*The extension and enhancement of the Climate Change Action Plan (CCAP) aligns directly with the desired outcomes of Wellington Towards 2040: Smart Capital. It also supports delivery of Council objectives on climate change, biodiversity, land-use planning, transport, water, housing, commercial buildings, waste, resilience and economic development.*

*Amending the Council Carbon Management Policy (CMP) to allow reinvestment of forestry unit revenues in forestry activities aligns with Wellington Towards 2040: Smart Capital, especially the eco-city pillar. It would enhance Wellington's "Smart Capital" reputation and the value proposition derived from strong urban-nature connections. It would reinforce the objectives of the Our Living City work programme. It could help the Council to enhance the value of its forest carbon assets and could enable the Council to capture a price premium for its forestry units in the carbon market.*

### 2) LTP/Annual Plan reference and long term financial impact

*The proposals in this paper are consistent with the Long-term Plan 2012-22. No additional expenditure is required from decisions on this paper. Achieving the emission reduction targets for 2020 and longer-term objectives under the plan will require substantial investment inside and outside of the Council; this will require consideration under the next Annual Plan and the Long-term Plan 2015-25.*

*Reinvesting a share of forestry unit revenue in forestry activities would impact on the long-term distribution of Council revenue. It could also increase the revenue gained from the accrual and sale of additional forestry units plus the potential for achieving a price premium, but this is subject to uncertain market forces. The more precise financial implications will depend on the mechanism used for managing revenue collection and prioritising the expenditure. If the amendment is approved, the associated policy design will be developed and undergo consultation under the next draft Annual Plan.*

### 3) Treaty of Waitangi considerations

*The proposals in this paper do not raise considerations specific to the Treaty of Waitangi. Stakeholder engagement on both mitigation and adaptation would include Māori.*

### 4) Decision-making

*This paper requests agreement to adopt the 2013 CCAP for publication in September 2013.*

*This paper requests a decision on a draft amendment to the CMP to allow reinvestment of forestry unit revenues in forestry activities. Further policy design and consultation would take place under the next draft Annual Plan, which would be developed after the October 2013 election.*

**5) Consultation****a) General consultation**

*The primary measures under the 2013 CCAP have already been approved or noted by the Council and, in most cases, have undergone public consultation or engagement. The 2013 CCAP creates a platform for major engagement starting in the coming year on both mitigation and adaptation.*

*If approved, the draft amendment to the CMP would undergo consultation under the next draft Annual Plan.*

**b) Consultation with Māori**

*Māori have been consulted on measures in the 2013 CCAP as part of the process described in (a) above. Māori would be included in stakeholder engagement on both mitigation and adaptation under the 2013 CCAP. Māori would be included in consultation on changes to the CMP under the next draft Annual Plan.*

**6) Legal implications**

*None*

**7) Consistency with existing policy**

*The 2013 CCAP is consistent with existing policy on climate change, biodiversity, land-use planning, transport, water, housing, commercial buildings, waste, resilience and economic development.*

*The paper proposes a policy change under the CMP which is consistent with the broader strategic direction under Wellington 2040: Smart Capital and the objectives of the Our Living City work programme. .*