



# Ministry of Transport's Transport Emissions Discussion Paper

Local Government New Zealand's submission on the Ministry of Transport's Discussion Paper identifying what Aotearoa could do to shift our transport system on to a zero emissions pathway.

June 2021

## We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and promote the good governance of councils and communities. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities. Our purpose is to deliver our Vision: “Local democracy powering community and national success.”

## Introduction

Local Government New Zealand (LGNZ) thanks the Ministry of Transport (the Ministry) for the opportunity to submit on its 2021 *Transport Emissions: Pathways to net Zero by 2050* Discussion Paper (the Discussion Paper) that identifies what Aotearoa could do to shift our transport system on to a zero emissions pathway (the Four Pathways). We understand that the Ministry is attempting to be strategic about the options and to be co-ordinated within the transport sector and across sectors (e.g., land use planning).

We welcome that the Discussion Paper seeks feedback on options to “eliminating emissions across our economy and within the transport system”, including views on policies that should be progressed and implemented, to ensure the Ministry’s priorities are sound. This will both ensure and require that the pathways it conceives to reduce emissions contribute to a wider set of objectives, including efforts across all of government to enable the wider system (not limited to transport) to deliver net beneficial value for society.

Since LGNZ has not been granted an extension to consult with our sector and prepare a sector-informed submission, we submit a first-principles based response focused on some perceived key issues with the Ministry’s policy direction underpinning the Discussion Paper. This draws from submissions that LGNZ has made on other consultations as we seek to raise general questions about the Ministry’s principles guiding the policy work and some specific questions about the options Aotearoa could pursue or prioritise.

LGNZ and our members strongly acknowledge and support the need to reduce emissions, as agreed by the Government, and that an important step towards this goal is for Aotearoa’s transport system to decarbonise. The Discussion Paper appropriately attempts (however does not execute on) a system-wide analysis of the opportunities for reducing transport emissions in Aotearoa, including what could make the biggest impacts on reducing transport emissions and what opportunities exist in interdependent sectors and systems to contribute.

Our view is that the Ministry’s approach appears indiscriminately focused on one objective (emission reduction) and is disconnected from the Government’s overall emissions strategy and other *prima facie* interdependent objectives (e.g., housing affordability). This risks undercutting other major work programmes, such as the reform efforts by the Government, of which the Ministry is nominally a part of. Since some of the Ministry’s key proposals appear counter to those efforts without discussing the tension, costs or trade-offs involved, it is difficult to find a meaningful solution in the Ministry’s overall approach.

Our key response to the Discussion Paper is that it appears neither strategic nor coordinated. Our participation at the Ministry’s engagement session on Hīkina te Kohupara for local government (the engagement session) has been helpful to clarify the Ministry’s operating environment and the

reasons for this shortcoming; Government direction favours pace and scale of reform efforts over due process, which compromises the Ministry's ability to undertake a fulsome policy process and provide quality advice. LGNZ acknowledges that this is a general issue across all government reform programmes.

We understand that the actual pathway for New Zealand emission reduction will depend on decisions made in the next three emissions budgets, and these budget decisions will be informed by the Ministry's advice on the pathways outlined in the Discussion Paper. At the same time, the engagement session clarified that the pathways identified in the Discussion Paper and the advice to be provided to Ministers to inform emission budget decisions are not and will not be based on advice grounded in a proper policy process that considers options against an evidence base that make costs clear. We are concerned that the advice to be provided to the Government is high-risk and will not enable strategically informed and coordinated decisions.

LGNZ acknowledges the pace and scale of reform efforts require the Ministry to provide in-principle rather than evidence-based advice. However, we observe that the basic reasoning underpinning the favoured pathways (pathway 1 and 4) in the Discussion Paper promote highest cost interventions while contradicting the intervention logic of other government work programmes that are working towards other objectives, for example housing affordability.

Our submission is broken into general comments on some of the **principles** of the policy work, and specific comments that raise questions about some key aspects of the **policy direction** that have made us question how the Ministry's policy work is aligned with the overarching objectives set by the Government, as well as other policy and reform programmes the Ministry is involved in, but are working towards other objectives.

## General comment

LGNZ submits that the transport system should be framed as an input in service of community values rather than as an outcome in and of itself, as appears contemplated in the Discussion Paper. We are also unclear how the Ministry conceives the purpose of transport infrastructure. In our view, this comes through in the policy direction.

This can be contrasted with our support for the Infrastructure Commission's purpose statement that infrastructure, in particular the transport system, should support *oranga tangata*/the wellbeing of people.<sup>1</sup> We note that wellbeing is a concept not limited to a single domain, such as the environment. Wellbeing is a particularly useful concept in this case because making transport subservient to people and their needs opens up a broader horizon that transcends a limited focus on a single sector and dimension of wellbeing.<sup>2</sup>

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<sup>1</sup> Infrastructure Commission, 2021, *He Tūāpapa ki te Ora - Infrastructure for a Better Future*, Infrastructure Strategy: Consultation Document, <https://infracom.govt.nz/assets/Uploads/Infrastructure-Strategy-Consultation-Document-May-2021.pdf> (accessed 21 June 2021), at p 8.

<sup>2</sup> The Government's wellbeing framework includes at least 12 overarching wellbeing domains of which environment is one. We note that housing is another, and MOT's work appears not to have considered the impact of the proposed policies and pathways on housing. The framework can be perused here: <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/measuring-wellbeing-lsf-dashboard> (accessed 17 June 2021).

LGNZ is concerned about how the principles found in the Discussion Paper appear to have been applied in a foregone manner, rather than analytically, to shape the Ministry's advice to the Government on reducing emissions through the transport system. We are especially concerned about principles three to six, which broadly cover: taking a strategic approach (principle 3); coordinating action (principle 4); responsibly managing costs and impacts to ensure a just transition (principle 5); and understanding that there are multiple ways to achieve the desired outcome (principle 6).

Although LGNZ agrees that these principles are appropriate, the policy process raises concerns about how these principles are defined and have been applied.

### Principle 3: A strategic approach

The Ministry expresses an intent to be strategic about which options to pursue by identifying the options that have the largest impact to reduce emissions while also delivering co-benefits. We commend a focus on co-benefits. However, critically, there is no consideration of costs in the Ministry's deliberation. It is unclear whether a strategic approach in the Ministry's view also requires working out how to deliver most value across a range of objectives (co-benefits) while also minimising the burden on society overall.

### Principle 5: Managing impacts to ensure a just transition

On a partially related note, LGNZ recognises that principle 5 focuses on managing the impacts and costs and appropriately focusses on distributional issues. However, distributional issues are a different concern than the overall efficiency of a given option, that is, how much resources a given path may require, no matter how that burden falls on different domains or segments of society. To reduce the overall impact, it is important the Ministry applies not only an effectiveness lens to identifying pathways to reduce emissions, but also an overall cost minimisation approach to reduce the collective burden.

The Ministry's treatment of this principle appears insular; there is strong focus on the impacts on society from a single sector lens (e.g., focus on transport costs). However, the Ministry does not consider the costs that the proposed interventions will impose on society through their effect on other sectors (e.g., land and house prices).

### Principle 4: Coordinated action

LGNZ takes on board the need for principle 4 at a high level, noting that cross-sector coordinated action is needed. At the same time, the Ministry expresses coordination as one-directional, namely how other sectors need to contribute to achieving a single objective the Ministry has itself defined for the transport sector. Genuine coordinated action is at a minimum two-directional, if not multi-directional, and in this case needs to be better aligned with the Government's overall emission targets and methods for achieving them.

The Government has tasked the transport sector to work towards a range of objectives (not limited to emission reduction) and other sectors depend on transport to contribute. LGNZ is unclear how the Ministry has applied the principle of coordinated action, because the proposals put forward appear to come at potentially maximal cost while also working counter to government objectives relevant to other sectors.

## Principle 6: Forging a path, recognising that there is not one way to get there

LGNZ appreciates that a path that contributes to reducing emissions is needed that also meets other objectives (co-benefits) and that there is more than one way to do so. However, we are concerned that the Ministry's starting position for the policy direction outlined in the Discussion Paper undermines this principle. While the Ministry has outlined four pathways, they share a common strategy, which:

1. Pass over the relationship that sector emissions have to national emissions targets, which underpins the government's emissions strategy – this appears to be a coordination issue;
2. Act as if a national policy instrument and cross-sector coordination mechanism (i.e., the emissions trading scheme, ETS) does not exist and will not contribute to achieving outcomes – this appears to be a tactical lapse; and
3. Do not give sufficient consideration to the need for the transport sector to contribute to other all-of-government objectives that work towards outcomes of key social value – this appears to be a key strategic oversight.

We do not consider that the overall approach taken allows for a reasonable consideration of alternative options and pathways to achieve emission reductions while delivering social value. We consider it possible in-principle, to identify meaningful ways to shift our transport system to reduce carbon emissions in line with national emission targets while also taking into account the need for the transport sector to contribute to other key objectives.

## We recommend including other principles

In recognition of our concerns, the Ministry might consider including other principles to ensure its approach is aligned with all-of-government and delivers net-benefits. We outline these below, and they guide our specific comments that follow.

### **Principle A: Identify pathways that contribute towards multiple objectives**

Identify pathways that reduce emissions and complement policy interventions in other sectors towards different objectives. Such interventions would effectively reduce emissions and align with interventions that improve other wellbeing holistically.

For example, policies that reduce emissions should work in tandem with policies to improve housing affordability. Where this is not possible, trade-offs and costs should be transparent to enable strategically informed decisions.

### **Principle B: Minimise costs**

Reduced emissions should be achieved through effective but also least cost policy interventions. Any pathway must be coordinated with the Government's national emission targets. Efforts to reduce emissions in the transport sector needs to take into account the relationship of sector emissions to national emissions to ensure the most cost-efficient pathway is chosen in the whole. Pathways should factor in contributions of relevant policies to avoid resorting to higher cost options that are not necessary to achieve outcomes.

## Specific comments on policy direction

Since LGNZ has not been able to consult with members, our submission does not advance a policy position in relation to the four pathways outlined by the Ministry. At the same time, in reviewing the Ministry's Discussion Paper, we take note of the following:

1. The policy underpinning the proposed four potential pathways to “eliminate” emissions does not appear synchronised with Government objectives for major reforms of interdependent sectors and systems (e.g., the urban development system). These cannot be achieved unless the transport sector accepts that it plays a critical role. It will need to meaningfully contribute to many overarching and system wide objectives set by the Government;
2. The call of the transport sector for other domains (i.e., land use regulation) to contribute to emission reduction goals in its own sector, as defined by the Ministry in isolation from its emissions' relationships with the Government's national emission targets, appears to discount other government policy instruments (e.g., the ETS); and
3. Some proposals in those pathways that, in the Ministry's view, can meet self-imposed targets (i.e., gross sector targets rather than net national emission targets) appear disconnected from the evidence base developed in other sectors. To compound this, some even run counter to the signalled policy direction of other work programmes in sectors the Ministry is calling on to contribute (e.g., land use and urban development).

In what follows, we point to specific examples to illustrate our above observations. In doing so, LGNZ is not advocating for any policy or solution. The purpose of our discussion is to highlight in-principle issues with the Ministry's approach and policy direction that the Ministry could consider addressing to connect its direction with the all-of-government's steer. This would minimise the burden on society for an effective emissions reduction pathway to synchronise with other efforts across the system working towards a wider set of outcomes.

### The Four Pathways do not appear synchronised with other overarching objectives

The Government has embarked on several major cross-cutting reform programmes. These reforms are occurring in parallel to the need to reduce emissions. The most substantial collective efforts – such as Three Waters and Resource Management Act reforms – theoretically align on improving housing affordability through a more responsive planning system.

In April 2021, all-of-government overarching objectives for the housing market were announced that included increasing housing supply, disciplining house prices across time, improving housing affordability overall and creating a housing and urban land market that credibly responds to population growth (CAB-21-MIN-0045).

We agree with the Ministry that it is “therefore imperative to seek to understand the total system, not just parts of it.” However, the Discussion Paper defines the “total system” as “the whole transport system”. “To better understand interconnectedness and opportunities to reduce emissions” as stated in the Paper, a broader view that is not limited to the concerns of the transport sector is needed. This is especially important when outcomes of social value are at stake that depend upon the transport sector to come to the table.

We are also uncertain the Ministry and the Government as a whole has a clear understanding of the role that transport plays in contributing to wider objectives and outcomes. Finally, LGNZ notes that the Discussion Paper only devotes one page (37-38) to the impact the planning rules required by the Ministry's proposals will have on housing and living costs. We discuss this section further below.

### The Ministry's policy direction appears separate to and discounts other government policy instruments

LGNZ notes the Ministry's overall approach to constructing possible pathways discounts the existence of other contributing policy instruments, such as the emissions trading scheme. The policy proposals contained in the Discussion Paper overlook and appear to section wise work counter to other policies (e.g., the UGA and national direction by the Government on land use and urban development) to improve housing affordability.

The Ministry's overall approach appears disconnected from the government's emission strategy, because proposed transport emission reductions do not factor in the relationship the sector's emissions have to national emissions. This appears underpinned by the Ministry's decision to disregard government policy on offsets and rather form its own view, treating offsets as non-existent.

We are concerned that an isolated approach will fail to consider the impact the proposed interventions have on national emission targets. Given the ETS is both binding and capped, the Ministry risks imposing high-costs on society without contributing to national emission targets. We argue that the key question for the Ministry is how the sector can – through a coordinated all-of-government effort – most cost-efficiently contribute to achieving national emission targets and so maximise social value.

To be clear, LGNZ is not endorsing any specific approach. We are not arguing, for example, that the ETS is sufficient to achieve emission reduction targets (nor are we saying it isn't). What we are taking note of is that the Ministry has made the decision to ignore a policy instrument designed to coordinate emission reductions across sectors. This raises concern that the Ministry's response is not proportional. We are concerned that the Ministry's modelling of effective pathways has excluded any contributions from potentially relevant policy instruments (deeming them to have no effect at all) and consequently resorts to highest cost options to achieve outcomes.

### Policy direction of pathways 1 and 4 appears disconnected from, and potentially works counter to, the signalled policy direction in other government work programmes

The Ministry's policy proposals on shaping cities and towns to ensure compact urban form in pathways 1 and 4, appear counter to policies developed in other work programmes to improve housing affordability. This is particularly evident when comparing pathways 1 and 4 with the policy direction of the most recent advice from the Treasury underpinning the Government's April 2021 housing measures, the Urban Growth Agenda (UGA) and the National Direction on Urban Development (NPS-UD).



The Ministry recommends implementing theme 1 (avoiding and shifting travel) as the key intervention of any successful pathway. The “avoid” theme in particular covers a range of measures, however the Ministry’s policy work does not appear to make relevant distinctions or consider their comparative effectiveness, individually or collectively. For the purpose of discussion here, we distinguish between higher- and lower-altitude urban form policies to reduce emissions:

- **Higher-altitude policies** – these aim to avoid vehicle travel by limiting urban development to a more compact area and raise average urban densities, also known as urban containment policies.
- **Lower-altitude policies** – these aim to avoid and shift mode of travel by making more alternative modes of transport available and improving access to them through liberalised land use (mixed use), street network design and lower transaction cost access to public transport nodes.

The higher-altitude policies are a comparatively blunt instrument to lower-altitude policies. The evidence base also appears to indicate that higher-altitude policies are not particularly effective at reducing vehicle travel or emissions.<sup>3</sup> However, lower-altitude policies are shown to collectively achieve more per capita reductions in vehicle travel and can be coherently integrated with the objectives and policy prescriptions underpinning the Government’s recent housing policies as well as the UGA and NPS-UD.<sup>4</sup>

LGNZ notes that higher-altitude policies do not appear consistent with the Government’s overall work programme and reform efforts that align on improving housing affordability. The Treasury (T2020/3529) advice underpinning the most recent measures of the Government prescribes four key policies for the urban development system “to bring house prices closer to their ‘real’ cost of production on an enduring basis”:

- Land for housing must be abundantly available;
- Housing intensification and expansion must be encouraged;
- Infrastructure must allow demand to be met in a flexible way; and
- Development and construction capacity should not restrict demand being met.

We understand that the UGA’s main objective is housing affordability, underpinned by affordable urban land, and the NPS-UD responsiveness policies that are a product of the UGA signal that urban expansion is a key requirement to achieving this. Consequently, the objective set out by Government appears to be on ensuring that land is more affordable, not just the floor space on

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<sup>3</sup> A 10% increase in average density (citywide) only results in about 0.6% reduction in vehicle travel. See Gabriel M. Ahlfeld and Elisabetta Pietrostefani, 2019 ‘The economic effects of density: A synthesis’, *Journal of Urban Economics*, vol. 111, <https://doi.org/10.1016/j.jue.2019.04.006>

<sup>4</sup> Researchers looking to disentangle effects found that land use mix results in fewer car trips and more walking trips; street network design reduces car travel by 1.2% when intersections are more frequent and streets in closer proximity to each other by 10%; and access to public transport reduces car travel by 0.5% when distances are reduced between homes and transport nodes/stops by 10%. See Reid Ewing and Robert Cervero, 2010, ‘Travel and the built environment: A meta analysis’, *Journal of the American Planning Association*, vol. 76, no. 3, <https://doi.org/10.1080/01944361003766766>



that land. We understand this to be of key concern to the Government due to distributional impacts.

As the Ministry briefly acknowledges in the Discussion Paper, “compact neighbourhoods with high amenity values can result in higher housing prices and rents, which can displace low-income residents and increase social inequality.” We consider this problematic when coupled with higher-altitude policies, because, as the Ministry also acknowledges, “planning rules that limit or control urban expansion into some areas affect land prices, with spill on effect for housing costs.” LGNZ is concerned that the Ministry has done little more than acknowledge these interrelationships and not factored in the costs imposed on society.

In drafting this submission, LGNZ consulted with the Ministry of Housing and Urban Development (HUD) to clarify HUD’s position on urban containment policies, which it does not support. HUD also considers “compact” and “containment policies” ill-applied policies for towns that have not sufficiently developed to make larger scale intensification a feasible proposition due to development economics. This means that the Ministry’s advice to apply higher altitude “compact” policies to smaller towns does not align with other central government departments.

On a final note, previous work in the spatial planning pillar of the UGA, which informs the proposed Strategic Planning Act (SPA) has focused on operationalising the “making room for growth” approach to provide a more open-ended framework for long-term growth of urban areas. The framework lays the foundation for orderly outward development that improves the operation of land and housing markets and enables cost-efficient future infrastructure investment. This aims to support maximal upward development over time and with minimal carbon emissions per capita, especially in transport.

LGNZ is aware of a number of international case studies that reflect this kind of approach, also consistent with NPS-UD responsiveness policies. These demonstrate how spatial planning coupled with a coherent suite of policy interventions can achieve positive outcomes across multiple objectives, specifically emission reduction and housing affordability. These examples have accommodated rapid population growth (up to a factor of 3 to 10) over the period of a few decades while maintaining housing affordability and achieving significantly better long-run environmental outcomes in terms of emissions than New Zealand cities.

Most importantly, the examples demonstrate that up to four times lower transport-related CO<sub>2</sub> emissions can be achieved in the long run. These require an open-ended spatial planning framework, NPS-UD-like responsiveness policies and lower-altitude urban form policies. Taken together these policies improve the ability to locate homes and businesses and change travel behaviour so that less vehicle travel is needed. Consequently, better urban form outcomes, particularly for environmental performance as measured by emissions, does not depend on either blocking location of development or limiting urban development to a more compact area.

The following international cities alongside CO<sub>2</sub> emissions in transport (in tonnes per capita per year) provide good examples that the Ministry should consider, given its participation in the UGA: New York (1.8); Tokyo (0.7); Copenhagen (1.0); Toronto (2.2); and Barcelona (0.6).<sup>5</sup> All of these

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<sup>5</sup> C40 Knowledge Hub, 2021, *Greenhouse gas emissions interactive dashboard*, City emissions comparison (per capita by sector), viewed March 2021, [https://www.c40knowledgehub.org/s/article/C40-cities-greenhouse-gas-emissions-interactive-dashboard?language=en\\_US](https://www.c40knowledgehub.org/s/article/C40-cities-greenhouse-gas-emissions-interactive-dashboard?language=en_US)

cities have lower transport-related emissions than, for example, Auckland (2.7).<sup>6</sup> They have also accommodated rapid population growth without drastic increases to house prices over a number of decades during periods in which they implemented policies aligned with the policy direction of the government's work programmes to improve housing affordability and the Infrastructure Commission's proposed direction for a future Infrastructure Strategy for Aotearoa.<sup>7</sup>

## Conclusion

The Ministry's overall approach does not appear strategic or coordinated across objectives and other government policy programmes working towards a wider set of objectives.

LGNZ is concerned about the modelling underpinning the Ministry's pathways. It is unclear whether the Ministry has disentangled the effects of different policy interventions, particularly higher- and lower-altitude urban form policies, and considered their respective benefits and costs. It is also unclear the extent to which the Ministry has considered whether they are complementary with other objective and policy directions.

Specifically, it is unclear whether the impact the Ministry attributes to higher-altitude policies is subject to confounding variables and whether instruments recommended by the Ministry are actually necessary to achieve targets. This is especially so given the implicated social costs that have not been properly discussed in the Discussion Paper.

The Ministry may consider clarifying the meaning of the terms it uses to describe proposed policy interventions, such as "compact urban form" and "compact urban development", noting that these terms typically mean urban containment policies.

Finally, the Ministry's discussion of potential pathways lacks a broad enough strategy that can negotiate a pathway through interdependent objectives and work towards a wider set of outcomes. It appears to present a missed opportunity on the Ministry's part to lead with much more innovative problem solving to support all of government response to climate change and advance housing affordability objectives and policies already underway.

LGNZ would welcome a meaningful investigation into ways to shift our transport system to reduce emissions while taking into account (and so not compromising) other key objectives. If you would like to engage further, please contact Benno Blaschke, Principal Policy Advisor, Advocacy (021 278 1243, [Benno.Blaschke@lgnz.co.nz](mailto:Benno.Blaschke@lgnz.co.nz)) and or John Stewart, Senior Policy Advisor, Advocacy (029 924 1222, [John.Stewart@lgnz.co.nz](mailto:John.Stewart@lgnz.co.nz)).

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<sup>6</sup> Ibid.

<sup>7</sup> Infrastructure Commission, 2021, *He Tūāpapa ki te Ora - Infrastructure for a Better Future*, Infrastructure Strategy: Consultation Document, <https://infracom.govt.nz/strategy/have-your-say/>