Submission on draft guideline

Joint Implementation and Clean Development Mechanism under the Kyoto Protocol – New Zealand's Guidelines and Procedures for Investment

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1 Introduction

Established in May 2004, Beacon Pathway Limited is a collaborative research consortium of organisations with a considerable stake in the quality of the residential sector: BRANZ, Fletcher Building, New Zealand Steel, Scion and Waitakere City Council.

Beacon aims to encourage and improve New Zealand's sustainability by researching building technologies, construction industry practices, urban planning, policy and regulation as well as consumer understanding and needs.

www.beaconpathway.co.nz

2 Purpose

Beacon Pathway Limited is making a submission on the draft guidelines.

This submission is aimed at highlighting the absence of current mechanisms or tools that would allow New Zealand-based investors to invest in New Zealand projects.

Beacon requests that the Ministry for the Environment and other key agencies;

- Explore how CDM type projects, (which have strong energy / emissions savings, significant national social benefits and can assist with meeting our 2025 target for 90% of electricity to come from renewal sources) could be legitimised within New Zealand?
- Enable the development of offset instruments to enable carbon emitters to reduce their liability by investing in New Zealand housing retrofit projects and similarly assist NZ in achieving the 2025 renewable goal.

3 Create additional offset mechanisms

The Clean Development Mechanism (CDM) is only available for offset programmes in developing nations*. This allows New Zealand-based investors a mechanism to invest in projects in developing countries that reduce green house gas emissions.

NZ based investment via the Projects to Reduce Emission (PRE) programme beyond the tender rounds held in 2003 and 2004 are no longer an option for new investment.

Beacon maintains that a mechanism(s) needs to be developed that would allow New Zealand organisations to capture the benefits from resulting emission units savings by investing in large scale upgrades by retrofitting New Zealand's existing housing stock.

There is a substantial opportunity through upgrading the thermal, lighting and water heating efficiencies of our housing stock. Also benefits accrue from reducing household reticulated water use due to energy inputs from pumping and treating

Beacon believes there is a significant role for Government to drive the necessary upgrade of the existing housing stock to a higher standard of sustainability as well as substantially raise minimum standards in the Building Code for new houses. Furthermore, our research indicates a strong value case at a national level to transform a significant proportion of the New Zealand housing stock to a High Standard of Sustainability with beneficial social, health, environmental and economic outcomes.

The majority of New Zealand's housing stock performs poorly. Our homes are cold, damp and inefficient in energy and water use. Yet a High Standard of Sustainability is achievable in both new and existing homes.

Beacon's *National Value Case for Sustainable Housing* focuses on how an improved housing stock can be valued across a range of Government priorities, demonstrating the national and economy-wide benefits of having housing stock at a higher standard of sustainability than currently.

Using six energy and water saving innovations as examples, it builds a compelling case for the kinds of interventions needed to achieve the Government's vision of being a sustainable nation, carbon neutral, and meeting our Kyoto commitments. Given the national priority on sustainable development, and the national-scale benefits that would accrue from an improved housing stock, there is a strong argument to be made for incentivising uptake.

Direct savings in household energy consumption amount to almost 22 PJ per year, or enough to power over 500,000 New Zealand homes for a year. Most of the energy savings are in electricity use, implying a reduction in CO_2 emissions of 3600kt per year, the equivalent of $54 million in tradable emissions (conservatively valued at $15/tonne). Even allowing for take-back effects in the form of warmer and healthier homes and spending of household savings from energy on travel and other commodities, net economy-wide CO_2 savings of 1600kt are still produced. This will contribute to a reduction in carbon emissions in line with New Zealand's Kyoto commitments.

[*Additional detail can be found by referring to "The National Value case for Sustainable Housing." http://www.beaconpathway.co.nz/national+value+case.aspx]*

Given the significant national benefits, it is hard to understand why a NZ company can be rewarded for investing in say a CO2 reduction project in South Africa[1], but not be rewarded for a demonstrating good practice in a similar type of project in New Zealand.

Furthermore with the advent of the ETS and the recently announced $1 billion investment for improving our existing housing stock, Beacon submits that it would be logical to find ways to link them in some way. If industry, councils and NGO's were able to offset their emissions through assisting with the retrofitting existing housing , Beacon maintains this could provide the catalyst needed to gain the commitment, investment and action needed throughout local government and across the private sector to achieve the NZEECS targets.

[1] ***The Kuyasa low-cost urban housing energy upgrade project, Khayelitsha (Cape Town; South Africa) has some parallels and the attached link outlines the documentation, methodology and verification steps undertaken. This project claims savings of 6,580 mt CO2 per year.***
http://cdm.unfccc.int/Projects/DB/DNV-CUK1121165382.34/view

4 Supporting policies and key agencies

The New Zealand Energy Efficiency and Conservation Strategy (NZEECS) contains especially relevant policies that support the upgrading of New Zealand Housing stock. Central to this is the 2025 target for 90% of our electricity to be from renewable sources.
Beacon believes this target will be much more achievable if additional stimulus could be provide toward retrofitting our existing housing stock and in doing so would fulfill another major policy which is to realise cost-effective energy savings and enhance security of supply ahead of building expensive new generation.
As mentioned in the EECA website "The Government can't make these savings alone. Just as every sector of the economy will benefit from becoming more energy efficient, every sector will need to get involved in the NZEECS programmes."

Beacon believes that ways need to be found to provide the catalysts to stimulate and reward the needed NZ based investment in New Zealander's homes. The technology is proven and the benefits are too large to ignore.