CREATIVE ACCOUNTING MAKES NDC LOOK BETTER THAN IT IS

The Government has today announced a new NDC for our 2030 net emissions to be 50 percent below 2005 gross emissions.

A 50 percent reduction sounds good, and it is a significant improvement on our current NDC. But it is not as good as it sounds. If we exactly meet this target in 2030 then, based on our calculations, New Zealand’s net emissions will only have decreased from 57.1 Mt CO₂-e in 2005 to 44.7 Mt CO₂-e (that is, a decrease of 21.8%).

The reason for this disconnect between the headline figure and the actual effect on emissions is that New Zealand has chosen two accounting methodologies for expressing our NDC which allow for a headline number which sounds much more ambitious than it really is.

The first technique is to express our NDC in gross-net terms. That is, the NDC sets a target for net emissions in 2030, but the target number is calculated by applying the percentage reduction to gross emissions in 2005.

Our “net emissions” are the greenhouse gas emissions that the atmosphere sees from New Zealand. It is our “gross” greenhouse gas emissions from agriculture, transport, energy etc minus removals of carbon dioxide from forestry.

In 2005, our gross emissions were 82.5 Mt CO₂-e and our net emissions were 57.1 Mt CO₂-e. Here “CO₂-e” refers to “carbon dioxide equivalent” which is used to aggregate the emissions from various greenhouse gases by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.

So, the new 2030 target for net emissions is 41.3 Mt CO₂-e (that is, 82.5 Mt CO₂-e minus 50%). This means that, comparing net emissions with net emissions, we only intend to decrease by 15.9 Mt CO₂-e (27.8%).

In other words, using gross-net to express our NDC makes the target sound more ambitious than it actually is.

But there is another accounting methodology at play that makes the true picture even worse.

In order to measure “net emissions” for NDC purposes New Zealand does not intend to use the conventional measure based on what the atmosphere sees (and which we report each year under the United Nations Framework Convention on Climate Change).
Instead, we have adopted an accounting construct referred to variously as “target accounting”, “NDC accounting” or the “modified activity-based approach” to represent net emissions for this purpose. This methodology does not measure “what the atmosphere sees”, but rather disregards all pre-1990 forestry and from 2021 averages forestry removals.

Based on Figure 10.1 of the Climate Change Commission’s Final Advice, this accounting construct will show an additional 3.4 Mt of carbon dioxide removals from forestry in 2030 than is actually forecast to occur.

So, if we exactly meet our 2030 target in “NDC accounting” terms, our actual net emissions will be 3.4 Mt higher, that is 44.7 Mt CO$_2$-e. So, relative to 2005 our actual net emissions would only decrease by 12.5 Mt CO$_2$-e (21.8%).

In our view, this 21.8% decrease is the real measure of ambition in our NDC (and not the headline 50%). We are disappointed that despite the vital importance of the coming decade to the chance of limiting global temperature rise to 1.5 degrees the Government has announced an NDC lacking sufficient ambition.

The climate does not care about our clever accounting choices, it cares about the level of net emissions. And our failure to walk-the-talk will be apparent to our trading partners in our United Nations Framework Convention on Climate Change reporting.

What is even more disappointing is that the domestic emissions budgets which have been recommended by the Climate Change Commission to the Minister represent an even lower level of ambition. Because of this, the Commission estimated that an NDC of 36% would require the Government to purchase 80 Mt CO$_2$-e of offshore mitigation for the period 2021-30.

Finally, we are concerned to understand how the “50 percent reduction” target for 2030 is being converted into an NDC budget for 2021-30. The Government has announced a provisional NDC budget for this period of 571 Mt which is higher than the budget that the Climate Change Commission derived for a smaller 2030 reduction target of 36% (568 Mt). Our concern is that what we give with one hand (a higher reduction headline for 2030) we are taking with another (a larger NDC budget for 2021-30 which means greater emissions overall).

LCANZI is currently seeking judicial review of the Commission’s advice to the Minister in relation to both the NDC and the domestic emissions budgets.

This review application is being heard from the end of February 2022. If successful, we are hopeful that it would result in the NDC and emissions budgets being set at a higher level of ambition and would ensure greater transparency as to what our climate policy targets mean in terms of actual emissions.

Further information:
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