

18 November 2019

Rt Hon Jacinda Ardern  
Prime Minister  
Parliament Buildings  
Wellington 6160

Dear Prime Minister,

Many important issues will be up for discussion in election year, but none will be as critically important as how political leaders plan to deal with climate change. I want to congratulate you on the cross-party support of the Zero Carbon Bill and for creating a mechanism to help New Zealand transition to a zero-carbon economy and meet international demand for low carbon products and services. We consider this to be critical for the wellbeing of citizens today and for future generations. Thank you, all of you, for making this happen.

The Climate Change Commission will undoubtedly require ongoing non-partisan support and guidance over the next few years in order to deliver on its purpose. The McGuinness Institute has been looking into the work of the Commission for the Future (1977–1982) and the New Zealand Planning Council (1977–1991), and how the lessons are of use in our current situation. I am reminded of the words of Hon Hugh Templeton, the minister initially responsible for the Commission for the Future:

I did not put the time that I should have into trying to oversee and nurture the Planning Council and certainly the Commission for the Future. I basically blame myself for the Commission for the Future going off the rails on the security issue and inducing Muldoon to dump it (13 December 2010).

The climate crisis has driven the bulk of our 2019 work programme at the McGuinness Institute. This letter summarises our work to date and looks forward to 2020 and beyond.

In the first half of the year we updated the *GDS Index* and published the *GDS Handbook*, analysing and cataloguing government department strategies (GDSs), and looking for strategies that mention climate change (only 21 of the 148 GDSs explicitly mention climate change). We attended the *Just Transition Summit* and hosted the climate change panel discussion event *A Point of Vanishing Stability* (speakers included Chlöe Swarbrick MP and Adrian Orr). We hosted *KiMuaNZ: Exploring climate futures*, a workshop that brought together 40 young people aged 18–25 with connections to the Pacific to explore scenarios for adapting to and mitigating the climate crisis. Participant Mariner Fagaiava-Muller sums up the urgency in his poem published in the *KiMuaNZ* workshop booklet (attached) – ‘Ignoring climate change is Pacific genocide’. The Rt Hon Dame Patsy Reddy said in her address at the *KiMuaNZ* finale presentation at Government House that ‘there is no place for wilful ignorance’:

Pacific Island peoples do not have the luxury of putting off thinking about the impact of global heating. They don’t have the time to speculate about what technological innovations might be developed to deal with carbon emissions. They are already dealing with rising sea levels, storm surges, bleached coral, salination of agricultural land, and the loss of ancestral homelands. Their current predicament is the not-too-distant predicament of low-lying coastal settlements around the world, including New Zealand. As the Prime Minister of Tuvalu, Enele Sosene Sopoaga has said, ‘If we save Tuvalu, we save the world’ (3 July 2019).

In the second half of 2019 we published *Discussion Paper 2019/01 – The Climate Reporting Emergency: A New Zealand case study*, a technical research paper that looks at how New Zealand’s existing complex reporting system could be used to support climate-related reporting. We hosted workshops in partnership with Simpson Grierson on the implementation of the *Recommendations of the Task Force on Climate-related Financial Disclosures* (TCFD).

These workshops were the first of their kind in New Zealand and were also the official New Zealand launch of the international *TCFD Good Practice Handbook*. Given the importance of the TCFD going forward, we have attached a copy of this excellent guide for your personal library.

On 30 October 2019 we hosted *Revisiting Tomorrow*, a panel discussion in which speakers (including the Rt Hon Jim Bolger, Dame Silvia Cartwright and Tāmami Kruger) reflected on the lessons learnt from the Commission for the Future and the New Zealand Planning Council. This event was intended to build on our earlier panel discussion *A Point of Vanishing Stability* (mentioned above). The speakers emphasised the need for non-partisan support for discussions about long-term issues that require an integrated approach to foresight, strategy and reporting (which is particularly relevant given the establishment of the Climate Change Commission). The Institute undertook a broad review of similar institutions created since the Commission for the Future (which was established in 1977 to look forward 30 years), and found that the Climate Change Commission is the first institution since then to focus on long-term integrated research and analysis. This explains why we have cited Hon Hugh Templeton earlier; the Climate Change Commission is likely to need your ongoing support and guidance.

## **2020 and beyond**

The ideas of Andrew G. Haldane, Chief Economist at the Bank of England, continue to drive our thinking in 2020. His 2015 speech, *Growing Fast and Slow*, discusses what comes first: technological innovation or sociological innovation? Although he says the evidence is unclear, asking the question continues to remind us that both technological and sociological innovation will be necessary to bring about a just and cost-effective transition.

Below we set out four themes that will shape our work programme. We hope that the following observations will be useful.

### **1. Enabling organisations to prepare useful scenarios and develop effective strategies**

What became overwhelmingly apparent this year, particularly at the TCFD workshops, is that there is demand for further information and direction on how to prepare for climate change. People want to understand how to develop a range of climate scenarios and how to formulate strategies to mitigate the climate crisis for their individual, local, national and global situations. As a follow-up to the climate reporting work stream, the Institute has prepared a short survey for workshop participants, broader stakeholders (e.g. preparers, assurance providers, board members, investors, regulators and policy analysts) and the general public. The purpose of the survey is to learn more about the challenges and opportunities of climate-related financial disclosures and gauge interest in further workshops next year. We will be publishing the results of the survey in our written submission on MBIE and MfE's discussion document *Climate-related financial disclosures* (due 13 December 2019).

### **2. Providing a vision and climate strategy for New Zealand**

Underpinning our work is the observation that foresight drives strategy, strategy requires reporting, and reporting shapes foresight. New Zealand's response to the climate crisis requires all of these. The sooner New Zealand can create a long-term view of what the country will be like (in 2040, in 2050, etc.), the sooner robust, durable public policy can be developed to create certainty for people, businesses and communities. The Institute is keen to explore this idea with others in 2020, particularly in regard to the emerging international practice of organisations preparing Paris Agreement-aligned business strategies.

There remains a great deal of uncertainty at present. People, businesses and communities will benefit from more clarity as to what the future might look and feel like.

I am reminded of former New Zealand Prime Minister Rt Hon Jim Bolger's view on change:

You have to – at times – move against the common perception or the majority view. Of course you must listen. But you mustn't be persuaded, just because there are very loud voices on one side, that they are necessarily correct. Loudness doesn't mean accuracy. Most people are fearful. I found that very early in my political life. People are nervous of change. It creates uncertainty. And the only way to make change work effectively is to move from stability to the new stability quite quickly. Don't dither in the middle (December 2016).

### **3. Building a resilient and antifragile society**

While the climate crisis is our most urgent issue, it cannot be seen in isolation. The climate crisis will put increased pressure on society, which is why we need to work on putting in place the necessary infrastructure to ensure our young people are safe and educated for the challenges ahead. Here are a few thoughts:

- Climate change is already having a negative impact on stress and mental health more generally. Given New Zealand's high mental health and suicide rates, particularly within the farming community, we would like to see more work being done on sociological innovations. We need to create avenues for dialogue around the climate crisis for children and young adults, and teach young adults the necessary skills they will need to navigate the challenges ahead. It is apparent from hosting workshops for 18–25 year olds that young people need scientific expertise to understand GHGs; mathematics to appreciate exponential, linear and step changes; history to understand how society has survived past crises; foresight skills to be able to explore a range of futures and develop strategies towards a preferred future; and mental health skills to identify stress in others and to manage their own mental health. A country that does not invest in its young people is a country without a future.
- Blaming and shaming is on the rise (e.g. flight shaming, meat shaming, dairy shaming and millennial/baby boomer shaming). A 'blame culture' is usually in response to uncertainty and stress and tends to focus on the past and on punishing an offender. Some academics argue that urgency combined with low efficacy leads to fatalism. The antidote is to shift towards an 'accountability culture'; is one that accepts the past, applies lessons learnt, acts responsibly (often in a creative and empathic manner), sparks change and generates hope.
- The Zero Carbon legislation on its own will not be enough to drive change. New Zealand needs standard-setters and regulators to have the necessary resources and powers to deliver an effective financial market and a fair and just society. Climate change will put additional demands on standard-setters, regulators and assurance providers (such as the RBNZ, FMA, XRB, MfE, OAG and the Commerce Commission), which in turn means that these types of organisations may require additional public funding over the next few years. For example, climate change may require new roles and responsibilities for the FMA (such as supervising entities advising on or trading carbon) and the Commerce Commission (such as protecting consumers from poor, misleading or unbalanced information on carbon credits and protecting our international reputation).
- Government should set two or three internal carbon prices for testing carbon sensitivity against investment and RMA decisions (e.g. moving ports or salmon farms). This would enable decision-makers and wider stakeholders to assess carbon risk, reduce the risk of stranded assets and look at ways to reduce carbon emissions. This is one way of trying to change behaviour without requiring organisations to pay the cost of carbon. Of course the benefit of a carbon tax, in addition to collecting funds, would be the opportunity to 'ring fence' those funds to help organisations transition to a zero carbon future.

- The cost of meeting New Zealand’s commitment to the Paris Agreement by the year 2030 is clearly an issue, especially given any shortfall will require New Zealand to buy international carbon credits. The regular reporting of this information would help the quality of the discourse. It would also be worth considering the establishment of a think tank to explore how this shortfall could be reduced by ‘forward engaging’ with this issue in 2020. The idea of investing in technological innovation today in order to reduce this cost in ten years’ time, seems highly worthwhile.
- An important development this year was the requirement to make publicly available all NZ ETS participant data for both emission and removals. The next step is to get GHG information into annual reports. In the UK, approximately 12,000 organisations will disclose their GHG emissions in their upcoming directors’ report (which is included in the annual report). We have a way to go to meet best practice given that director’s reports are not required to be filed on the New Zealand Companies Register (unlike in the UK). We would like to see TCFD recommendations made mandatory (comply-or-explain) for selected companies and voluntary for all other companies and we support the government’s idea of a stand-alone TCFD report being included in annual reports of selected companies. This will enable investors, employees, consumers and suppliers, to drive change based on reliable information rather than incomplete or misleading information.
- An integrated whole-of-economy strategic approach is required. While CEOs work hard to position their companies’ emissions in comparison with other companies or even other industries, government must create an integrated, yet considered plan that creates incentives for solutions such as wind farms (e.g. many windfarm consents have lapsed or are expected to lapse by 2026) and/or directives to change behaviour in terms of burning fossil fuels (e.g. caps p.a. and/or permits on burning coal). In May this year Genesis Energy Chief Executive Marc England implied that burning coal may be phased out as late as the 2040s:

England argues that over the next 10 to 15 years the focus should be on reducing carbon emissions by adding more renewable capacity to support the uptake of electric vehicles and to displace the use of fossil fuels in industrial applications ... ‘Why not do that first and come back to the challenging technical and economic question in the 2030s and ‘40s of ‘how do we move our 85 per cent renewable electricity system to 95 per cent or 100 per cent?’ ... ‘The debate we need to have is over the sequencing of what we do.’ [...] Burning coal at Huntly created less emissions than the steel industry, or those Fonterra created drying raw milk into milk powder, he said. (8 May, 2019)

In comparison, Julian Leslie, Head of Control of Great Britain’s National Grid Electricity System Operator (NGESO), believes that as renewable energy sources increase within the energy system, Great Britain’s electricity system could function using zero carbon by 2025. It is worth noting that, in May this year, Great Britain generated electricity for two weeks without burning coal.

#### **4. Democracy continues to evolve and so must our checks and balances**

As we go into the election next year, I want to acknowledge the many shared goals that exist across all political parties. The resulting discourse tends to focus on the different ways these common goals could be achieved and, historically, this teasing out of ideas in the public arena has proven to be a good way to test potential public policy and the public’s appetite for risk. However, as we enter the 2020 elections, I have concerns about previous coalition agreements and how they might evolve going forward.

Coalition agreements are different to standard government policy in that they are developed after votes are counted and before the Governor-General is satisfied that a stable government can be formed. We suggest that coalition agreements require a higher level of due diligence, transparency and assurance, compared with policies developed after a government is formed.

There may be risks to the current process that have not been fully considered or assessed. These risks may be heightened given our two major parties have indicated they would not consider forming a coalition. Hence under our current system, coalition agreements may have the potential to create incentives for small parties to negotiate a form of ‘government’ within wider government (as there is no limit to the amount of Crown funds that could be agreed) or to put in place a mechanism to try and ‘buy’ an electorate over the electoral term in order to bypass the 5% threshold in the next election.

In light of this we wonder whether coalition agreements deserve some form of public scrutiny (no independent public accountability and assurance process appears to be in place). This could be a public report that analyses each of the priorities that sit within a coalition agreement. If a priority was implemented, the report could clarify how it was delivered, at what cost and what the impacts and outcomes were. If not implemented, the report could clarify why not. This type of report could be prepared and published by each party and assured by the Electoral Commission and/or the Office of the Auditor-General (say six weeks before an election). With the coalition agreements having had such a significant impact on public policy, we argue this area of our democratic practice requires greater attention.

### **To conclude**

It is imperative that we upskill our future leaders for the challenges ahead. This is why it was great to hear of the successes of the Family So’otaga programme, which developed a new way of working with parents and children at the Holy Family School in Porirua. Holy Family School won the ‘Excellence in Engaging’ category at the 2019 Prime Minister’s Education Excellence awards and the programme is now expanding to Bishop Viard College in Porirua, as well as forming the basis of the Te Arawa Whanau Ora programme set to be implemented at Sunset Primary School in Rotorua. The McGuinness Institute financially supports the Family So’otaga programme through the McGuinness Foundation Trust.

At the beginning of each year, the McGuinness Institute puts forward a set of principles to drive our work and shape the way we behave. For 2020 we aim to stay curious, be empathetic and remain disciplined. We do this while continuing to work hard to maintain our non-partisan status and our professionalism. During an election year we aim to take a back seat and undertake work in areas that we believe are not political, but ideally are still useful. We have an open door policy, so if you would like to meet to discuss any of the issues raised in this letter or any other questions you may have, please do not hesitate to contact me.

Throughout the year I have had the pleasure of meeting with many MPs; thank you again for your time. I know how hard you work and how committed you are to New Zealand – the people and the environment. Our country is special, not just because of who and what we are, but because much of the world is under political stress. We owe it not just to New Zealanders, but to all current and future citizens of the world, to be an example and put our best foot forward.

Next year has special significance in that the number 2020 refers to perfect vision. For this reason, the team at the Institute wishes you clarity of purpose as you navigate the challenges and opportunities of the year ahead. In the meantime, we wish you a relaxing summer holiday with family, friends, good food and a great book. We have included the books from our eighth ‘Prime Minister’s Summer Reading List’ for you and your party representatives to share. This initiative, which started in 2012, aims to match the challenges and opportunities we see ahead with the books published during 2019. Please enjoy!

Yours sincerely,



Wendy McGuinness  
Chief Executive

## Attachments:

McGuinness Institute publications can be accessed via the McGuinness Institute website, under the publications tab.

### Publications attached:

- *KiMuaNZ: Exploring climate futures* booklet
- *Revisiting Tomorrow: New Zealand at the Turning Point* newspaper
- *TCFD Handbook* (published by Climate Disclosure Standards Board and Sustainability Accounting Standards Board)
- *Discussion Paper 2019/01 – The Climate Reporting Emergency: A New Zealand case study*
- *Prime Minister's Summer Reading List* books

### YouTube:

See the following playlists on the McGuinness Institute's YouTube channel for footage from our 2019 events.

Playlist – A Point of Vanishing Stability: Exploring a climate change strategy for New Zealand (30 May 2019)

- Wendy McGuinness
- Conal Smith
- Roger Dennis
- Adrian Orr
- Chlöe Swarbrick MP
- Dr Carwyn Jones
- Dame Dr Claudia Orange
- Aaron Maniam

Playlist – KiMuaNZ: Exploring climate futures workshop (1–3 July 2019)

- Exploring climate futures – Overview
- Welcome Address from The Rt Hon Dame Patsy Reddy, GNZM, QSO
- I stand as one, I come as many – KiMuaNZ participants finale presentation at Government House
- Exploring climate futures workshop interviews

Playlist – Revisiting Tomorrow: Navigating with Foresight (30 October 2019)

- Wendy McGuinness
- Rt Hon Jim Bolger
- Dame Silvia Cartwright
- Peter Rankin
- Tāmami Kruger
- Amy Fletcher

### Blogs

See the following blog posts for further information about McGuinness Institute activities in 2019.

- Prime Minister's Summer Reading List, Revisiting Tomorrow and So'otaga blogs (to be published in November)
- TCFD Workshops: Practical steps for implementation (published 17 October 2019)
- Asia Pacific Foresight Group and Data61+ LIVE conference – Sydney, Australia (published 2 October 2019)
- Climate reporting insights from the UK (published 17 September 2019)
- Select Committee: Climate change Response (Zero Carbon) Amendment Bill (published 4 September 2019)
- KiMuaNZ: Exploring climate futures workshop – day 3 and finale presentation at Government House (published 3 July 2019)
- KiMuaNZ: Exploring climate futures workshop – day 2 (published 2 July 2019)
- KiMuaNZ: Exploring climate futures workshop now underway (published 1 July 2019)
- A Point of Vanishing Stability discussion event (published 6 June 2019)
- Speaking with two Pacific Island leaders about climate change action – Hon. Henry Puna and Hon. Fiamē Mata'afa (published 1 June 2019)
- Just Transition Summit 2019 (published 15 May 2019)
- 2018 GDS Index – Now launched! (published 7 May 2019)