

Chapter 20

Aronga Kaupapa – Te Matatika, Te Whakakotahi, Te Whakawhiti Ora

Policy direction for a fair, inclusive and equitable transition

Summary

A fair, inclusive and equitable transition is one that will endure. This means approaching the transition in a way that is considered and includes people in the process.

To do this, the Government needs to plan, involve other people in its planning, and support others to make decisions that guide their own transitions. We have heard very clearly that Iwi/Māori want real partnership. Business, industry, local government, NGOs and community are ready to co-design emissions reductions plans to reflect their experience and needs.

This chapter recommends the Government develop an equitable transitions strategy that makes sure impacts on people are thought about during planning, programme development and policy development, not after. We have also asked the Government to outline how it intends to prioritise and fund the strategy. This should enable:

- Genuine partnership with Iwi/Māori to give effect to the principles of the Treaty. This is crucial across all aspects of the transition.
- Proactive planning that is co-designed across Aotearoa. This includes different regions, business, workers and unions that may feel the economic impact. It also includes community, people with disabilities and young people who may face unintended consequences.
- An education system that gives New Zealanders the skills they need to participate in a low emissions economy. This should include strategies for identifying and building the skillsets needed to support sectors key to the move to a low-emissions economy.
- Support for workers that have jobs in high-emissions sectors to retrain or move into new roles in low-emissions sectors.
- Robust distributional impact assessment for all climate policy and strategy. This will provide a detailed understanding of how climate policy can impact different groups, positively and negatively. This should be prioritised, proactive and well resourced.

Changes in our final advice

We have suggested transition planning be used more widely, particularly for different industries. This recognises how industry and the regional economy are connected. More details on specifics are in each sector chapter, where we have pointed out some key strategic decisions that will need to be made by business and industry.

We have strengthened our advice to reflect feedback on the importance of education and skills in the transition. We had a lot of feedback saying we needed to recommend specific policies to address impacts on people. We have been clearer that the Commission's role is to set the direction of policy, not draft policies.

Introduction

- 1 Aotearoa must act quickly to reduce emissions. At the same time, the transition must be fair, inclusive and equitable. This is important to make sure that changes can be sustained.
- 2 A 'just transition' (see Box 20.1) supports the principles of kaitiakitanga and intergenerational equity. We must consider not just the impacts on society today, but also the impacts on our mokopuna, and on their mokopuna. The need to care for, and be active stewards and custodians of, our whenua and taonga for future generations must be central to our approach.
- 3 Intergenerational equity is reflected in the He Ara Waiora framework (see *Chapter 11: Approach to developing advice on policy direction*). Placing the tikanga values from this framework at the forefront of the transition will help to ensure it is inclusive, equitable and improves the wellbeing of everyone who lives here now and in the future. The four tikanga values are manaakitanga, tikanga, whanaungatanga and kotahitanga.
- 4 The importance of a just transition came through as a strong theme during consultation, including in submissions from all stakeholder groups as well as individuals. Some focused on the importance of making sure policies do not place an unfair burden on low-income communities.
- 5 A large number of submitters emphasised the importance of a transition that is well-managed, proactive and planned. This will be good for the wellbeing of all New Zealanders – socially, economically and environmentally. A transition that is not managed well risks creating painful economic shocks, and risks costs falling disproportionately on those least able to bear them.
- 6 *Chapter 8: Demonstrating emissions budgets can be fair, inclusive and equitable* shows that the transition can be economically sound and socially acceptable. However, some groups of society will be more impacted than others. Policy will be needed to address this.
- 7 The previous chapter looked at the direction of policy needed to ensure an equitable transition for Iwi/Māori. This Chapter looks more closely at the direction of policy that is needed, and the systems that need to be set up to ensure that the transition is fair, inclusive and equitable.
- 8 The exact impacts will depend on how the policies the Government chooses to put in place are designed. Our recommendations are focused on building the systems to enable that to happen.
- 9 The sections below outline four key areas for the direction of policy. These areas are inter-related and must be addressed cohesively.

Box 20.1: A just transition

The need for a 'just transition' has been included in the Paris Agreement. The term originated from the labour union movement, but its importance has built internationally and is now well established in international literature.

A just transition is one that is fair, inclusive and equitable. In Aotearoa this means:

- Honouring and giving effect to the principles of Te Tiriti o Waitangi /The Treaty of Waitangi
- Working collaboratively and inclusively when planning the transition and taking a co-design approach to policy, in line with kotahitanga and tikanga. This includes working with local Iwi/Māori along with community, including local government, regional economic development agencies, businesses, workers, unions, people with disabilities, and community groups
- Ensuring the low-emissions transition takes opportunities to reduce inequities, builds strong communities, and meets the needs of current and future generations over time
- Prioritising support to those most adversely impacted and least able to adjust
- Sending clear and stable policy signals to provide predictability for communities and businesses and allow time to plan and respond
- Investing in people, their skills, and providing opportunities for viable work that is environmentally and socially sustainable
- Acting now to ensure a thriving, productive and climate-resilient economy

During consultation we heard from many submitters, and particularly from unions, that use of the term 'just transition' is important, because it is internationally recognised and commonly used.

20.1 Proactive transition planning

- ¹⁰ Some industries, regions and communities of Aotearoa will be more affected by the climate transition than others. It is important that the speed and nature of the transition is well-signalled to allow time to plan.
- ¹¹ Some industries face particular challenges when it comes to reducing emissions. These industries are large employers in the regions and are fundamental to the economy, yet solutions for decarbonising these industries are further off. Some of these industries have announced strategic reviews, citing many reasons beside climate policy.
- ¹² Aotearoa needs to make key strategic decisions about the future of these industries. Long-term strategies will be needed for hard-to-abate industries and affected regions, as well as for emerging or growing low emissions industries. These discussions need to start happening now so there is time to plan and put in place processes for whatever eventuality.
- ¹³ The Government is also partnering with businesses, workers and Iwi/Māori in certain industries to develop industry transformation plans, which lay out a series of actions for growing the industry, improving productivity and global competitiveness. These plans address investment, innovation and skill needs. Climate change needs to be a core part of these plans.
- ¹⁴ The agritech and construction sectors now have industry transformation plans in place. Similar plans are being developed for the digital technologies, advanced manufacturing, food and beverage, and forestry and wood processing sectors. It is vital that there are clear timeframes for delivering on actions in these plans.

- 15 Industry plans must be linked to regional transition planning. It is inevitable that some regions will see the closure of large businesses that provide significant employment for the community. Transition planning should take a long-term view on how to diversify the economic and employment base of the region.
- 16 It should also consider short-term policies to support workers in high-emissions industries to retrain and/or redeploy into new areas. Major job losses at a local level can lead to entire communities being left vulnerable and dislocated. Some affected workers may have the mobility and means to acquire new jobs in other industries and regions, while others may not. Affected communities can end up 'stranded', where workers with particular skills and expertise are no longer in demand.
- 17 We heard throughout our engagement and consultation about the importance of ensuring transition planning is co-designed with the local community. While co-designed processes take longer, transparent, inclusive and co-designed processes, and active social dialogue, are key to achieving a transition that is broadly accepted and enduring.
- 18 Local government, regional economic development agencies, local Iwi/Māori, businesses, workers, unions, the disability community and community groups will all need to work together to ensure that climate change policies are tailored to regional and local circumstances, and that they address the rights, needs and aspirations of different groups within the community. The approach should align with the United Nations Convention on the Rights of Persons with Disabilities.
- 19 Government investment decisions need to be aligned with transition planning. Aligning priorities will be important. In some situations, businesses and Māori-collectives will only invest if they know that complementary investments are being made – for example, to supporting infrastructure.
- 20 For co-design to work well, there will need to be clear leadership. Central government may be best placed to take the lead in making key strategic decisions for Aotearoa as a whole, in partnership with Iwi/Māori.
- 21 For localised transition planning, the co-design process would be best led from within the community. It may vary from region to region who is best placed to lead localised transition planning. However, clear leadership should be outlined when initiating the co-design process.
- 22 This kind of co-created and strategic transition planning is already underway in Taranaki. However, these processes were initiated only after major Government decisions and announcements on oil and fossil gas had already been made. A similar process is being initiated in Southland.
- 23 The Government needs to take a more proactive approach in the coming years to identify regions where localised transition planning must be a priority. It is important that government continues to build on existing models and knowledge from the experiences in Taranaki and Southland.
- 24 The Government should set up systems so that all regions can learn from the experience in Taranaki and other regions when undertaking transition planning – both what has worked well and what has not worked well.
- 25 Transition planning will need to be linked closely linked to relevant plans and strategies. This includes the national energy strategy (see *Chapter 15: Policy direction for energy, industry and buildings*), the strategy to advance a Māori-led approach to a thriving, low emissions, climate-resilient Māori economy (see *Chapter 19: Policy direction for an equitable transition for Iwi/Māori*), and the Government's economic plan.

20.2 The education system and future workforce

- ²⁶ New Zealanders, and their skills and ideas, will be the bedrock of the transition. Businesses will need to innovate, adopt new low-emissions technologies and commercialise new ideas. However, they will only be able to do so if they have the workers with the right skills and capabilities.
- ²⁷ During consultation, a number of businesses voiced strongly that the education system will be critical for setting workers up with the skills needed to deliver a thriving, low emissions Aotearoa. In particular, we heard that the cost to the country could be significant if the education system is not agile enough to continually adjust and evolve as skill needs change.
- ²⁸ There is much uncertainty in how the transition will unfold. As a result, education and training providers will need to be nimble in order to set New Zealanders up with transferrable skills, and the ability to adapt, upskill and learn as the way we work evolves.
- ²⁹ Some skills are likely to be in high demand in the transition to low emissions, and the education system will need to support people to develop those skills. This includes, for example, engineering and technical skills to support for jobs in key growth areas such as in renewable electricity and new farming skills. Some of these growth areas are discussed in more detail in *Chapter 7: Demonstrating emissions budgets can be fair, inclusive and equitable*.
- ³⁰ The education system will need to focus on all layers of education and training – not just on pre-employment training, but on lifelong learning that enables people to upskill as opportunities and demand evolve. Education in schools will also be important to set New Zealanders up with knowledge about the changes occurring due to climate change.
- ³¹ The education system also needs to address barriers that currently restrict participation in education and training. Research indicates that education and training providers are not serving Māori well, and that these providers have low levels of engagement from Māori (see *Chapter 19: Policy direction for an equitable transition for Iwi/Māori*). This is likely to have a particular impact on Māori who need to retrain or learn new skills.
- ³² Education and training developed by Māori for Māori will be important for reducing existing inequities and in ensuring an equitable transition. One example of this is the Crown–Māori Economic Development Strategy, He Kai Kei Aku Ringa, which has a goal of growing the future Māori workforce into higher-wage, higher-skilled jobs.
- ³³ The Government needs to work with education providers, unions, businesses, Iwi/Māori and communities, to build a high-level vision of the workforce that will be needed in the future. There is much uncertainty in how the transition will unfold, so the Government needs strategies for quickly responding to skill needs as needs evolve. It will also be important to signal the megatrends, like climate change, automation and technological disruption, that will impact future workforce needs to help New Zealanders to adapt to the changing nature of work.
- ³⁴ As a first step, the Government needs to identify the types of skillsets needed to support the transformation of key sectors over the next decade. It also needs to signal the future workforce needs to help New Zealanders adapt to the changing nature of work, and put in place strategies for building those skillsets over time.
- ³⁵ Government must consider what type of jobs may be created, how secure they are, who has access to them, whether they pay a decent wage, and the education and skills required to do those jobs.

³⁶ While our focus is on the climate transition, this work must be done in the context of the broader labour market. In particular, some sectors are already experiencing labour supply shortages, and many are anticipating the impacts of an aging workforce and technological disruption. The labour market in Aotearoa will also become more diverse as demographics change. Young people coming into the workforce have different expectations and aspirations than previous generations.

20.3 Support for workers transitioning out of jobs in high emissions industries

³⁷ Employment and jobs will inevitably change as Aotearoa moves towards a low-emissions society. Many workers will need to learn new skills to continue practising their profession in a low-emissions environment. However, for some it will mean moving into jobs in other industries.

³⁸ For example, during consultation we received many submissions that were concerned about the potential impacts of a future ban on fossil gas use. In particular, we heard from many gas-fitting businesses who were concerned about impacts on employees, small businesses and the potential to recruit and train apprentices in the face of perceptions of fossil gas as a declining industry.

³⁹ Workers in industries that extract and use fossil fuels will be particularly affected by the transition. These workers will increasingly need to move into new industries. The affected workers have important skills that will be in demand in growing and emerging low emissions industries – including renewable energy, energy efficiency, hydrogen, the bioeconomy and fuels, and the circular economy. *Chapter 8: Demonstrating emissions budgets can be fair, inclusive and equitable* provides more detail on the impact of emissions budgets on jobs in these industries.

⁴⁰ The Government should consider what policies and programmes are needed to support these workers through change. Again, this must be done in an inclusive way, through co-design with workers, unions, businesses, Iwi/Māori, the disability community, and broader community to understand what would work for their situations.

⁴¹ Where possible, workers should be provided with opportunities using similar skills in their current location and/or at the same income level. However, skillssets, location, timing, and income of new jobs will not always align. In these cases, workers should be supported to redeploy into new areas of work, and provided opportunities to retrain and build new skills.

⁴² Education and retraining services should be provided in a way that recognises workers' existing skills and allows them to build on those, pursue their interests, improve their employability and wages, and enhance their overall wellbeing.

⁴³ Some submitters raised the importance of creating 'decent' work - a term used in the international labour movement to mean quality jobs that are productive, secure, delivers fair income and are respectful to communities.

⁴⁴ It is important that all New Zealanders have access to education and training. Emphasis should be on supporting workers who are most adversely impacted and least able to adjust, particularly workers on lower incomes.

⁴⁵ Internationally, there are examples of approaches that Aotearoa can learn from. We received a number of submissions highlighting the need for unions to be involved in the transition.

⁴⁶ In designing what works best in different situations, those involved in the co-design process could consider active labour market policies that help to connect people to jobs. These policies should build on existing work and programmes. This could include, for example:

- Job placement and brokerage programmes to match people’s skills to job vacancies. For example, programmes could support workers in the oil and fossil gas industry to find new work by specifically targeting low-emissions industries that need workers with engineering skillsets.
- Increasing access and funding for those in high-emissions industries to retrain in low-emissions industries, including while still employed in high-emissions industries.
- Relocation assistance for workers in high-emissions industries that need to move location to take up work in a low-emissions industry.

⁴⁷ In some circumstances, it may also be appropriate to provide direct financial support to displaced workers. For example, this could include the option of early pensions for workers in high-emissions industries who are reaching retirement age.

⁴⁸ The Government will make decisions about what policies and programmes to put in place, in collaboration with workers, unions, businesses, Iwi/Māori, the disability community, and broader community. However, these policies should be designed to build on the needs identified in sector and localised transition planning, and align with the future workforce needs (Section 20.1 and 20.2).

20.4 Building the tools for distributional impact assessment of climate policies

⁴⁹ The transition to a low-emissions society will not lead to lasting change if it creates or exacerbates social inequities. However, the transition can be economically affordable and socially acceptable if it is well-paced, planned together with communities, and well-signalled. Society will benefit from improved health and wellbeing.

⁵⁰ While overall the costs of the transition are manageable, they will not be evenly felt. Some New Zealanders will be more impacted than others. This could especially be the case for those on low incomes, women, the elderly, people with disabilities, and some Māori and Pacific Peoples.

⁵¹ These impacts can be managed through careful policy design, so must not be used as a reason for delay. Government must put policies in place to support those who are most disadvantaged and least able to adjust. This will be important for ensuring an equitable and inclusive transition that does not compound existing inequities or historic grievances. Impacted groups must be included from the start in co-designing policy.

⁵² The co-benefits of climate policy, such as improved health and wellbeing, are often overlooked in policy design despite their significant potential.

⁵³ During consultation, some submitters highlighted the link between climate action and public health benefits, and requested the establishment of a multidisciplinary health advisory group to advise on the link between health and climate.

⁵⁴ When co-designing climate policies, the first step is to understand the potential distributional impacts and how policies fit in the broader structural context of health, employment, housing affordability and energy affordability.

⁵⁵ Government Regulatory Impact Statements currently include an assessment of a policy’s impacts, costs and benefits. In recent years, the assessment of the distributional impacts of climate policies has improved.

- ⁵⁶ For example, government agencies assessed the impact on household bills before making recent New Zealand Emissions Trading Scheme (NZ ETS) reforms, and the impact on the cost of owning a vehicle before announcing the Clear Car Standard. Government has also started to estimate and disclose the emissions impact of certain policies through the Climate Implications of Policy Assessment.
- ⁵⁷ However, the Government needs to further build up the evidence base and tools to improve its assessment of the distributional impacts of climate policies over people, place and time. This should include quantitative assessments of the potential direct and indirect impacts of a climate policy on Aotearoa society as a whole, different households, different businesses, workers and employment, population groups and different communities and regions.
- ⁵⁸ Government must work with health experts to build tools for quantitatively assessing the benefits of emissions reduction actions and specific policies on New Zealanders' health. Many actions to reduce emissions, such as supporting a shift away from private vehicles to walking and cycling more, will have broader benefits to health and health equity, and will reduce burden on the health system (see *Chapter 8: Demonstrating emissions budgets can be fair, inclusive and equitable*).
- ⁵⁹ These benefits are likely to be immediate and add to the case for taking climate action. This aligns with the World Health Organization's Health in All Policies framework. However, Aotearoa does not yet have tools for quantitatively assessing the total benefit across the economy.
- ⁶⁰ Such tools should be used to understand the distributional impacts across every proposed climate policy. Government agencies should use these tools to understand who will be most impacted, how those people will be impacted, and to inform policy design so that disadvantaged groups are not further disadvantaged and, where possible, reduce existing inequities.
- ⁶¹ Specific examples of how impacts could be managed are included within our policy direction for different sectors, and include:
- Ensuring transport policies are focused on delivering accessible, affordable and integrated transport systems so that people can easily get around no matter their means or where they live (see *Chapter 14: Policy direction for transport*)
 - Ensuring that energy remains reliable and affordable for households and businesses (see *Chapter 15: Policy direction for energy, industry and buildings*)
 - Providing assistance to those on lower incomes to install insulation, more efficient heating and other energy efficiency measures so they can benefit from cost savings and improved health (see *Chapter 15: Policy direction for energy, industry and buildings*)
 - Ensuring that land policies do not exacerbate historic grievances and prevent Māori-collectives from exercising rangatiratanga on whenua Māori (see *Chapter 17: Policy direction for agriculture*)
 - Managing the extent, type and location of afforestation to reduce negative impacts on rural communities and provincial centres (see *Chapter 18: Policy direction for forests and other carbon stocks*)
 - Mitigating potential emissions leakage risk through industrial allocation in the NZ ETS (see *Chapter 13: Policy direction that cuts across sectors*).

20.5 An Equitable Transitions Strategy

- ⁶² The transition to a low-emissions society can be economically affordable and socially acceptable. To achieve this, it must be well-paced, well-planned, well-signalled and co-designed alongside Iwi/Māori, local government, regional economic development agencies, businesses, workers, unions, the disability community and community groups.
- ⁶³ Through our engagement and consultation, we heard consistently that it will be vital to work alongside people to co-design policies that maximise the benefits and reduce the negative impacts. Transparent, inclusive and co-designed processes, and active social dialogue regarding the transition, are key to achieving a transition that is accepted by all parts of society and enduring as a result.
- ⁶⁴ How the climate transition will impact different groups of society will depend on the exact design and timing of policies the Government chooses to put in place. In providing advice on the direction of policy, we have focused on building the systems so that happens in a way that is proactive, well-planned and well-signalled.

Recommendation 28

A fair, inclusive and equitable transition

We recommend that, in the first emissions reduction plan, the Government commit to:

Developing an Equitable Transitions Strategy that aims to deliver a well-signalled and inclusive transition, so it maximises opportunities, and minimises disruption and inequities.

Objectives of the strategy should include:

1. Acting in partnership with Iwi/Māori, giving effect to the principles of Te Tiriti o Waitangi/ The Treaty of Waitangi, aligning with the He Ara Waiora framework to align with Iwi/Māori perspectives on wellbeing, and co-designing climate policies and strategies with Iwi/Māori.
2. Undertaking proactive transition planning that aligns with tikanga values and is co-designed with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, and community groups with particular regard to those most disadvantaged.
3. Strengthening efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with skills needed for a low emissions future. This should include putting in place strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori.
4. Supporting workers to transition from high-emissions sectors to low-emissions sectors, including redeploying and upskilling workers. This will need to be developed in conjunction with workers, unions, education providers and businesses.
5. Factoring distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities. This will need to include a plan for improving the evidence base and tools for quantitatively assessing the distributional impacts and benefits in line with Treasury's Living Standards Framework and He Ara Waiora.
6. Clarifying how the Government is going to prioritise and fund the work laid out under the Strategy.

Recommendation 28

Provisional progress indicators

1. Government to have, by 31 December 2021, outlined in their emissions reduction plan how they will prioritise and fund work on a fair, inclusive and equitable climate transition.
2. Government to have, by 30 June 2023, delivered a draft for consultation, and, prior to June 2024, published an Equitable Transitions Strategy linked to the Iwi/Māori strategy, economic plan, and national energy strategy.