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**TUESDAY, 9 MARCH 2021**

**The Speaker** took the Chair at 2 p.m.

**KARAKIA/PRAYERS**

**SPEAKER:** I've asked the Deputy Speaker to say the prayer today, and both he and the Assistant Speakers will regularly take that responsibility.

**DEPUTY SPEAKER:** E te Atua kaha rawa, ka tuku whakamoemiti atu mātou, mō ngā karakia kua waihotia mai ki runga i a mātou. Ka waiho i ō mātou pānga whaiaro katoa ki te taha. Ka mihi mātou ki te Kuīni, me te inoi atu mō te ārahitanga i roto i ō mātou whakaaroarohanga, kia mōhio ai, kia whakaiti ai tā mātou whakahaere i ngā take o te Whare nei, mō te oranga, te maungārongo, me te aroha o Aotearoa. Amene.

*[Almighty God, we give thanks for the blessings which have been bestowed on us. Laying aside all personal interests, we acknowledge the Queen, and pray for guidance in our deliberations, that we may conduct the affairs of this House with wisdom and humility, for the welfare, peace, and compassion of New Zealand. Amen.]*

**SPEAKER'S RULINGS****Ministerial Statements—Changes to Standing Orders**

**SPEAKER:** Before I call the Leader of the House for his ministerial statement, for which notice has been given, I want to explain to the House how it will operate. The 2020 review of the Standing Orders recommended that members be able to engage in a short question and answer session with the Minister giving the statement. The intention of the Standing Orders Committee was that ministerial statements could operate in a similar way to the committee of the whole House, where members ask questions and Ministers answer them. So the Minister can make the statement, and then members may ask questions if they wish and/or make comments. I will allow an extended time, if necessary, for Ministers who ask questions. Ministers are required to address these questions but are not given carte blanche to make another speech.

**MINISTERIAL STATEMENTS****COVID-19—Alert Level Changes**

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** Thank you, Mr Speaker. Since the House last met, Auckland has once again been through the arduous ordeal of a lockdown, and New Zealanders have been reminded of the need for continued vigilance in responding to COVID-19.

On Saturday, 27 February, a new case emerged which could not be immediately linked to the previous cases in the Auckland February cluster. We found ourselves in a position that was fairly clear-cut: there was no immediate link for the new case, and, even if there had been, a large number of exposure events associated with the latest case posed a significant risk of spread. This led Ministers to take the cautious approach which has served New Zealand so well through the pandemic and move Auckland to alert level 3 and the rest of New Zealand to alert level 2. Over the past week, our systems have once again been put to the test. I'm pleased to say that they have demonstrated their overall strength.

By Friday afternoon, six days after identifying the new case, over 60,000 COVID-19 tests had been carried out—a significant proportion of those in Auckland—and 77 percent of the population of the Counties Manukau DHB have been tested. Our contact tracing team identified and managed roughly 6,000 contacts linked to the 15 cases. We were able to genomically link cases to give us confidence that we were dealing with a contained cluster, and we carried out regular wastewater testing at key sites, the results of which

have all been negative, with the exception of the site near Jet Park, where we're currently quarantining people who have COVID-19, and we would expect to see positive results from that.

That's a massive credit to our testing teams and our contact tracing teams, and should provide the public with confidence that our systems are well placed to assist in the future if further cases were to arise. On the basis of this hard mahi and the fact that we found no new cases beyond household members, by Friday, Cabinet was confident to move Auckland to alert level 2 and the rest of New Zealand to alert level 1 from Sunday morning. We also agreed to meet again later this week, with a view to moving Auckland back to alert level 1 on Saturday if evidence suggests that it is safe to do so. This plan is consistent with our elimination strategy.

I am pleased to report the Government is also making good progress with the roll-out of our vaccine. Border workers and their household contacts are receiving their first doses of the Pfizer vaccine: a vaccine that is now a much greater reality for many more New Zealanders with the announcement we've secured an additional 8.5 million doses within our portfolio. While a vaccine does signal a promising light at the end of this very long tunnel, it remains vital that everyone continues to stringently follow the public health messages, which is continuing to keep your distance from people when out and about in public. And on public transport, if you can't maintain that distance of 2 metres, we encourage you to carry a facemask or face covering with you. If you are sick, stay at home—don't go to work or school and don't socialise. This protects you and it protects others. If you have symptoms of a cold or flu nature, if you've got aches or pains, call your doctor or Healthline and arrange to get a test. And please, to everybody, keep track of your movements at all times.

Moving down alert levels should not result in an increase in complacency. Indeed, with increased freedom comes increased responsibility—I know that our team of 5 million is up to that. We have the fourth lowest number of stay-at-home days of all OECD countries and the lowest average rating of OECD countries on the Oxford stringency index, meaning, on average, over the last year, we've had the fewest restrictions and the most freedoms of any country in the OECD. We all need to remain vigilant and to keep up that good work so that we can all continue to enjoy that.

**SPEAKER:** Before I call a member, I think there might have been a slight communications failure, but the only people who are allowed in the Speaker's gallery are members of Parliament or those people who are in there for security purposes. There are at least three people who I can see there who are not members of Parliament or there for those purposes—could I ask you to go to the other galleries, thank you.

I might have very poor eyesight, but I think there are at least two more people up there who are in neither of those categories.

**CHRIS BISHOP (National):** Thank you, Mr Speaker, and I thank the Minister for his statement. This was New Zealand's first yo-yo lockdown when we went up to level 3 in Auckland, back down again, and then back up, all linked to the same cluster. So in light of that, it's important we get to the bottom of what happened and learn those lessons. We on this side of the House have called for an inquiry, and I note the Government's announcement of another group chaired by Sir Brian Roche to consider the events of the recent month, and we welcome that announcement.

I do have a question for the Minister, though, to start things off—I have several, but to start things off—on whether or not he can update the House on the original source of the Valentine's Day cluster and how the investigations are going into that. In particular, is there any clarity on whether it is linked to the case at managed isolation and quarantine, at the Four Points by Sheraton, as he signalled was possible a couple of weeks ago?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** With regard to the last part of the member's question, no link has been established with that case at the Four Points. It's important to note that whilst genome sequencing can reveal that cases are similar, that doesn't necessarily mean that they come from the same place. So no clear link has been established there.

In terms of the overall source investigation, this may well be one of those cases where we never quite get to the bottom of exactly what happened here. We weren't able to identify clearly the source of the Americold case which triggered the Auckland outbreak back in August, and it may well be that this is a similar situation. When in doubt, though, there are some more likely scenarios than others, and of course we do have a border worker who was involved here, and so that continues to be one of the more likely of a series of unlikely potential scenarios.

**CHRIS BISHOP (National):** Well, just as a follow-up to that, is the Government considering, then, bringing this particular border worker that possibly could be the original source infection—bringing them within the overall ambit of the testing regime?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** Yes, we absolutely will be doing that. I have just completed a review that we had already started before this most recent group of cases, of looking at that group that's on the periphery of the border to make sure that everybody was captured that needed to be captured. So someone in the laundry, for example, when we did the initial risk assessment, wouldn't necessarily have been captured by that initial risk assessment. We've learnt a lot more in the six months or so since that first testing order was put in place, and as a result we have made additional changes.

One of the key challenges with that is around the handling of goods that come across the border, because not everybody who handles goods that come across the border—and there are many, many, many thousands of people in that category—is going to be at risk, but there are still some who could be at risk. So making sure that we're narrowing that down so that we're dealing with the risk but not capturing people who we hadn't intended to capture has been one of the challenges.

**CHRIS BISHOP (National):** We described the decision to go from level 3 in Auckland to level 2 the first time as ambitious, and the reason we did that is that at that time we still didn't know the source of the source infection, which we still don't know. There were two new community cases that day and, critically, there were 363 students yet to return a negative COVID test. So my question for the Minister is—and it's an important one in light of what's going on potentially with travel bubbles with Australia and the Cook Islands—is the Government changing its general approach to risk? Does it continue to have a zero tolerance approach to community transmission, or has there been a slight loosening of the level of cases in the community that the Government and the country are prepared to tolerate?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** There hasn't been a change to our appetite for risk, if you like. We're still pursuing an elimination strategy. What there is is more confidence in our contact tracing systems. We have seen other examples over the last six months where we've dealt very successfully with cases without the need to escalate alert levels. There were some additional factors around this one—including not knowing the source and, more latterly, in terms of the second lockdown, there being some undisclosed contacts, which meant that there were a greater number of cases than would have otherwise been the case—that made this one a little bit different.

**CHRIS BISHOP (National):** Just in light of that comment around having more confidence in contact tracing systems, why did the Government fail two of the critical contact tracing metrics recommended by Dr Ayesha Verrall last year? I refer the Minister to metrics S001 and S002, which has been described as critical, and in the case of the

Papatoetoe cluster the results were not good. S001, for members, is about the time from exposure to contact, isolation, and quarantine. The target is more than 80 percent within 96 hours. The achievement was 67 percent for Māori and 52 percent for non-Māori. S002 is about the time from case first symptom to contact, isolation, and quarantine. Again, the target's more than 80 percent within 96 hours, and the achievement for this cluster was 75 percent for Māori and 62 percent for non-Māori. So the question for the Minister is: is he satisfied with those results, and what's being done to improve them?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** I'm not satisfied with those results. I think it's important to acknowledge, though, in both of those metrics, that not all of that is within the control of the contact tracing teams, because the ability to meet those targets really depends on being made aware of cases at the earliest possible opportunity. So if you think about the second metric that the member mentioned, the time between showing symptoms to a person being quarantined or isolated, that very much depends on people coming forward as soon as they show symptoms. In this particular set of cases, particularly the ones that we have dealt with most recently, there was evidence that people were showing symptoms for some time before they came forward and before they got tested, and therefore before they were identified. So those metrics would be thrown out. Similarly, with regard to the first one, we had examples there where people were not necessarily identified early enough in order to meet that first one. So that's one of the challenges.

We are—with the review panel that I have announced today—going to be having another look at what the most appropriate metrics are, and I've had conversations with Dr Verrall already, because those metrics are very much designed for a system where there was transmission within the community. It was designed in a different context to the one that we're dealing with now. Now we're dealing primarily with cases that come through the border, and so we've got to have another look at whether those metrics are the most appropriate, because cases that come through the border, for example, they've often been infected well before they even arrive in New Zealand, before we could even hope to test them, and therefore the metrics would not accommodate that.

**CHRIS BISHOP (National):** The Minister makes a good point, I think, around the right communication going to people as to what they should do when they become symptomatic and what they should do around testing. That, I think, has been one of the things that many in the public have been alarmed about in the last two or so weeks, with the communication that has come from the Prime Minister down, in fairness, to the public around what the right messages are and what people should be doing. So I guess the question for the Minister is does he, on behalf of the Government, accept some responsibility for confusing messages around what people should and shouldn't be doing, in particular in relation to the case of the KFC worker who we had the unedifying spectacle of the Prime Minister saying the judgment of the whole nation had to come down on that person—

**Rt Hon Jacinda Ardern:** That is not what I said about them—not about them.

**CHRIS BISHOP:** Well that is what you said, when—

**SPEAKER:** Order!

**CHRIS BISHOP:** —that person insists, to this day, that they simply followed Government instructions.

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** I think this was well canvassed last week, and my view is very similar to the Prime Minister's, which is that there was certainly enough information that that person should have known that they needed to be at home, including the fact that they had been asked to be tested and hadn't been, and that they had two members of their household who were showing COVID-19 symptoms, who had also been asked to be tested. There was a lot of communication from



the school. One of the things the review team will look at—and the Ministry of Health are already looking at this as part of their own debriefing process—is whether having additional categories of contact added to confusion. The key message overall here needs to be that people should follow the advice that is given to them by public health officials because it will be different depending on people’s individual circumstances. So, yes, there will be broad advice that’s issued to everybody, but where people are contacted by public health then they should follow the advice that they are given specifically by public health. That would certainly be aided if they responded to messages that they get from public health.

**CHRIS BISHOP (National):** Thank you. I want to ask the Minister around the legal regime and self-isolation and testing. Dr Bloomfield says that medical officers of health have delegated authority from him and that orders to self-isolate and get tested are within the parameters of section 70 of the Health Act—that was at the press conference last week. Dr Andrew Geddis from the University of Otago has cast doubt on that proposition. We’re told that a section 70 order was formally issued last week, but was publicly unavailable for quite some time, and then we had Dr Bloomfield at the press conference in which the decision was made to go from level 3 in Auckland to level 2, again, actually formally issuing a formal section 70 order orally and then it was subsequently uploaded to the website, which I suppose makes people wonder why that had to happen in the first place, later on, if the section 70 orders were made orally by medical officers of health in the first place. So two questions, firstly—

**SPEAKER:** Order! Order! The member’s time has expired.

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** Just very briefly responding to that, the member is, to some extent, asking for a legal opinion, and I best not venture into that territory. But what I would say is the advice that I have received is that a medical officer of health can give an order verbally, and somebody needs to follow that. So that is an enforceable order if it is given verbally.

**Hon JAMES SHAW (Co-Leader—Green):** Thank you, Mr Speaker. I’d like to start by congratulating the Minister on securing the 8 million Pfizer vaccines that he mentioned in his statement. I think that offers a great deal of reassurance to the country that the light is indeed at the end of the tunnel. I also want to say congratulations, Minister, on securing the Pfizer vaccine as opposed to some of the others on the market, because, apparently, the evidence shows that it’s about 95 percent effective versus 65 percent for some of the competing products. So I think that is very reassuring.

Now that those have been secured, can the Minister tell the House anything about the way in which the roll-out is going to occur for those vaccines and, in particular, looking at regimes similar to where they have in Australia, where people kind of pre-qualify and are told which group they’re in and are told, roughly, when that’s going to happen, and have the kind of assurance that comes from knowing when it is that you’re going to be receiving the vaccine?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** The Government’s already released the sequencing framework for the first group of people who are going to be getting the COVID-19 Pfizer vaccine in the first quarter of this year. That work is already under way. So it starts with our border workers, first and foremost. We’re sitting somewhere about 90 percent of the way through doing that, having had the absolute latest numbers based on today’s experiences. But, certainly, we’re about 90 percent of the way through that, and we’ve made a start on their family and close contacts—you know, the household contacts of those people—and also on some of our front-line health workers. So the people who are involved in taking COVID-19 test swabs—those who are more at risk because they’re on the front lines of the health services. So that’s going to take us through the first quarter. We then start to move into the second quarter, where we’re

expecting a roughly equivalent number of people to be vaccinated—so around about another quarter of a million people in the second quarter. Then we'll get to the big roll-out in the second half of the year, and we're expecting that to be spread right the way through the second half of the year. There'll be surge points, no doubt, but we're expecting the overall demand—we will have to manage the demand relatively smoothly through the second half of the year. We'll be releasing details of that tomorrow. One of the reasons that we have not released that prior to now is the decision about which vaccine we used, and whether we used one vaccine or four different vaccines actually has an impact on the overall sequencing framework.

**Hon JAMES SHAW (Co-Leader—Green):** Thank you. In the Australian system, people go on to a website, fill out a few basic questions, it takes a very little time, and then they're told which of, basically, five groupings they will be in, right at the very beginning of the process, and what that is able to do is to provide people with a sense of the time frame for themselves. Does the Government have any plans to replicate a similar system here in Aotearoa?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** It's a relatively simple and proved tool that they have, and we could easily do something here in New Zealand as well, or people could look at the list. The list is actually a relatively simple list, and it will show people exactly where they are at in the sequencing framework and broad timetable. Just to run through the numbers: about a quarter of a million courses of the vaccine in the first quarter of the year, about a quarter of a million courses of the vaccine—so that's the two doses—in the second, and then we move later on in the year to the big roll-out in the second part of the year.

**Hon JAMES SHAW (Co-Leader—Green):** So will the schedule that gets published prioritise, for example, people who are immuno-compromised, people who live in overcrowded conditions or who have precarious jobs where they're reluctant to get tested and take time off because they're worried about loss of income, and so on?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** So I can assure the member that all of those things were considered in the sequencing framework, and when we release that tomorrow, he will see that all of those factors have been built in to the sequencing framework.

**DAVID SEYMOUR (Leader—ACT):** Well, thank you, Mr Speaker. I speak on behalf of ACT in response to the ministerial statement. I think it is worth acknowledging some of the pain that has been caused to people by this lockdown. That is not to say that the lockdown is necessarily wrong—they might be prepared to accept those costs as the price of maintaining elimination—but it's worth putting on record the businesses who have gone under this time, because the effects of our restrictions are cumulative.

It's worth putting on record a message I got from the principal of a local school: "Pretty dispiriting for kids with camps, sports, etc., cancelled. Lots of schools pulling out of Polyfest. It's not worth the risk. I don't think the rest of the country realise or cares about the effect this is having on our youth. Anyway, keep fighting the good fight." That's a principal from the Epsom electorate.

I think it's worth putting those on record and acknowledging that people who may have lost their businesses, missed healthcare, been dispirited by the restrictions actually probably think it's acceptable if the Government is truly doing a good job of managing COVID-19. But the Minister told us that we should be grateful because we've had low levels of restriction and, according to the Oxford stringency index, low levels of restrictions on our freedoms within New Zealand. And the Minister is right about that, but I put it back to the Minister that this country has few peers that can compare to the natural advantages we have when it comes to fighting COVID. There's a few countries that are more isolated than New Zealand—one or two. There's a few that have a more

spread out and younger population than New Zealand—one or two. And there's a few countries that are richer than us and have a richer civil society and more cooperative people. But I'd challenge the Minister to name one country that could match the suite of advantages that New Zealand had going into the COVID-19 pandemic. If he could answer that, I'm sure we'd all love to know.

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** I think the member, to some extent, in his comments around freedoms, highlighted how fortunate New Zealanders have been. When it comes to things like school camps, festivals and events, and so on, we're one of the only countries in the world that's doing those things at the moment. We're one of the only countries in the world that actually has an events industry thriving at the moment. While I'm not saying that it's not challenging for them—it absolutely is—they are certainly doing a lot better than their counterparts in just about every other country around the world.

In terms of the comparisons that the member makes to other countries, I would simply point out to him that he is wrong, that it is an insult to the people working at our border that he's putting it all down to the fact that we're an island country. In fact, we've had probably up to about 120,000 people now come back into New Zealand across the border. We're dealing with a handful of potential cases from that. I think about Air New Zealand—5,500 flights they've operated since May last year, and they've dealt with three COVID-19 cases out of that. There are people working exceptionally hard to keep COVID-19 out of New Zealand.

**DAVID SEYMOUR (Leader—ACT):** It was a very simple question: can he name one country that could match New Zealand's suite of advantages—its isolation, its young and spread-out population, its wealth, the prosperity of New Zealand and our civil society? All he had to do was get up and say, "Here's a bunch of countries.", but he couldn't, because there isn't one. When the Minister says we should all be grateful and lucky, he's taking the credit for the Government without acknowledging the simple reality that this Government had a less challenging job than any country on earth going into this pandemic. That's the truth.

Then he enters into the fallacy that to criticise the response of the Government is to attack the hard-working people at the border and at managed isolation and quarantine facilities. Well, actually, that's interesting, because I'm not aware of anyone in the ACT Party or anyone on this side of the House who has had anything but praise for those hard-working people. Actually, the problem that the Minister has and this Government has is that they are unable to accept any kind of criticism of the approach that they have taken. I would say to the Government that that is a huge vulnerability for New Zealand, because, actually, in order to get better, we have to be prepared to accept criticism and accept the need to get better.

Here's a simple question for the Minister. It's astonishing we haven't heard anything about the NZ COVID Tracer app during the Valentine's Day outbreak. Could the Minister tell the House: was anybody traced, two people that scanned in at the same location or were traced person-to-person by Bluetooth? How many people were traced using that technology in this outbreak?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** In terms of the Bluetooth technology, we don't have that information, because we don't collect that information. One of the basic things about the COVID Tracer app is that people collect their own data. They get notifications about whether they may have been exposed, and they respond based on that. We don't collect all that information. Some of the countries the member likes to laud do collect that information, and they use it for a lot more than just tracing COVID-19 contacts, which is not something that the New Zealand Government has been willing to do.

**DAVID SEYMOUR (Leader—ACT):** Which countries, and what else do they use it for?

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** I haven't got a list of all of that in front of me. I'm happy to provide the member with that. We do not—

**Hon Member:** Making it up.

**Hon CHRIS HIPKINS:** —collect all of that information.

**SPEAKER:** Order! Who interjected that? Who made that interjection? Nick Smith will leave the House.

Hon Dr Nick Smith withdrew from the Chamber.

**DAVID SEYMOUR (Leader—ACT):** Thank you, Mr Speaker. There we have it again. The Minister tries to deflect and say other countries are somehow using or misusing citizens' data because they have better contact tracing. He can't say if the NZ COVID Tracer app that good, law-abiding New Zealanders are scanning in with each day was actually useful for this outbreak, but he can cast aspersions on other countries that they are doing scurrilous things with their citizens' data, and we ask him to name a country and he can't do it. But can I ask the Minister: does the Government have any plans to change the rules or improve the use of the NZ COVID Tracer app after this outbreak, given the answer he just gave—that they don't know if it was actually useful for tracing anyone in this outbreak?

**SPEAKER:** The Minister can handle that as part of his reply now.

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** Of course, I am well known for my skills in—

**David Seymour:** Point of order, Mr Speaker. I recognise that this is new to the House. My reading of the Standing Orders is that the allocation in Appendix A is five minutes, so I still have 25 seconds on the clock. You're cutting it short for what reason?

**SPEAKER:** Yes, I'm not cutting it short at all. What the Standing Orders say is that the Speaker may extend the member's time to allow for the answers. I have substantially extended the member's time.

**Hon CHRIS HIPKINS:** I am well known for my skills in diplomacy, but it is not for me to provide a commentary on what other countries are doing with their COVID tracer apps or name and shame them. The member can read the newspaper himself if he wishes to find out what other countries are doing around that. In terms of encouraging uptake of the COVID Tracer app, yes, that is something that we are looking at. One of the things the member might like to know when it comes to his sudden desire for the Government to be putting in place more compulsory measures, which somewhat highlights the identity crisis of the ACT Party at the moment, is that the Apple/Google exposure notification framework is provided to us to use on the basis that it cannot be made compulsory.

**DAVID SEYMOUR (Leader—ACT):** Point of order. I don't wish to take up the House's time unnecessarily, but I'm just reflecting on this as this new convention of questions to ministerial statements evolves: if the Minister can take up the time of the member with the call, the incentive to ask questions and yield the floor becomes very weak, and I worry that the whole concept which we're developing—and which I think you strongly support, Mr Speaker—might collapse. I just ask you to reflect on whether in fact the interpretation shouldn't be that the member with the floor has five minutes.

**SPEAKER:** Well, if the member had come to the Standing Orders Committee, he would have heard the discussion, which made it very clear, as the report does, that it is discretionary.

**DAVID SEYMOUR (Leader—ACT):** Point of order. I actually do recall that discussion, and I don't think comments like the one you just made are helpful for the standing of your Chair or for the standing of this House.

**SPEAKER:** Well, I am almost certain that the member was not there for the final meeting, where that was discussed.

**David Seymour:** Almost?

**SPEAKER:** Sorry? You were not always there.

**DAVID SEYMOUR (Leader—ACT):** Point of order. How is it helpful for the order of the House for you to engage in this sort of argument? It's completely superfluous, unnecessary, and I don't know why you do it.

**SPEAKER:** Well, I am not going to be responsible for the member's ignorance.

### **PETITIONS, PAPERS, SELECT COMMITTEE REPORTS, AND INTRODUCTION OF BILLS**

**SPEAKER:** No bills have been introduced. Petitions have been delivered to the Clerk for presentation.

**CLERK:** Petition of Andy Earl requesting that the House urge the Government to reinstate the upgrade of State Highway 2 Tauranga to Katikati corridor.

**Rt Hon Jacinda Ardern:** Trevor, the Māori Party—the Māori Party.

**SPEAKER:** Well—

**Debbie Ngarewa-Packer:** Point of order, Mr Speaker.

**SPEAKER:** I can see someone calling. My understanding—in fact, I'm prepared to take leave for two minutes for the member, but the party is not entitled to a call, because it's not a specified party; it is a matter for specified parties. If the House wants the Māori Party to have a call, I'm prepared to seek leave for the Māori Party to do so. Is there any objection? There is none.

General business interrupted.

### **MINISTERIAL STATEMENTS COVID-19—Alert Level Changes**

Debate resumed.

**DEBBIE NGAREWA-PACKER (Co-Leader—Te Paati Māori):** Kia ora, Mr Speaker. I'd like to speak to the ministerial statement in so much as two matters that came to Te Paati Māori's attention in the last week, and we've been very vocal about them. One was the communication that's been used. Clearly, the Government has changed strategy, but what we did see is that there hasn't been a change to the communications. And what we've seen is an effort to open schools very early, but it seems to forget that we're dealing with hundreds of rangatahi—many, we saw in the last week and a bit, whose first language is not English and whose first habit is not to listen to Government messaging.

So what we've seen and become, I guess, quickly savvy with is a complex four-category framework that is being used by this Government. But what we didn't understand, again, is the mix of messaging that has, quite frankly, brought about a mounting mess of, "Are we, aren't we, should we, shouldn't we?" It resulted in what we saw in Te Ao Māori as a victim-blaming session in social media—intentionally or not. What we do want to do is ensure that the Minister for COVID-19 Response is aware of this and we stop, together, the backlash that we see that is happening to our communities. While we may be a team of 5 million, I think it's really important to remember that we have a small team and are relying on 400,000 South Aucklanders to carry the brunt of a lot of the decisions that are coming out of this Whare.

So one of the questions, I guess, that we do want to know from the Minister is: what have we learnt and what is the communication style that we're going to take going forward? The second thing we would like to put to the Minister is: what are we doing,

and what are your approaches, with Māori specifically, as you have addressed the vulnerability? We would hope that there is effort and, certainly, focus on our Māori vulnerabilities in those who choose to have vaccinations, and not, as we heard this afternoon, on a cricket team. I would love to hear, and we would like to hear, your response to some of these questions. And just finally, thank you, is: when will we see a schedule for Māori roll-out from the Minister? Thank you.

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** One of the things that the debrief that's happening at the moment—and that's happening at a number of levels: it will, obviously, happen at the Ministry of Health where they'll be looking at their own internal processes and what they can learn from that; and then the review panel that I announced today will also have the opportunity to have a good look at this—will look at is: should our systems and processes be different in a school setting? We've actually had some feedback from a number of school leaders, not necessarily involved in this outbreak, pointing out that when you're dealing with teenagers there are some close contacts they have that they don't wish to disclose to their parents, let alone a contact tracing team, and that that is something that we needed to factor in in thinking about how we deal with a potential outbreak in a school setting. So we'll certainly have a closer look at that and consider that.

Health engagement with iwi leaders is ongoing around the testing regime, making sure that Māori are tested appropriately and proportionately and are not under-represented in our testing system. So that engagement is ongoing. When it comes to vaccines, the member will see a bit more about this tomorrow when we release the sequencing framework, but we have absolutely been working very carefully through all of those issues, including who our most at-risk populations are. The member will also be aware that some of our Māori-Pacific population is quite strongly represented in the first cohort—the people who are working at the border—as well. So they and their whānau are already off to a reasonably strong start; we need to make sure that we maintain that right the way through the vaccine campaign.

### **PETITIONS, PAPERS, SELECT COMMITTEE REPORTS, AND INTRODUCTION OF BILLS**

General business resumed.

**SPEAKER:** I'll ask the Clerk to repeat the petitions.

**CLERK:**

- Petition of Andy Earl requesting that the House urge the Government to reinstate the upgrade of State Highway 2 Tauranga to Katikati corridor
- petition of Grant Dixon requesting that the House urge the Government, Auckland Council, and the HLC to set aside 11.2 hectares of Bomb Point as a reserve.

**SPEAKER:** Those petitions stand referred to the Petitions Committee.

Ministers have delivered papers.

**CLERK:**

- Annual reports for 2020 of Te Hiringa Hauora / Health Promotion Agency, New Zealand Health Partnerships, and Te Māngai Pāho
- report of the proceedings and operations of the Local Government Commission / Mana Kāwanatanga ā Rohe for the year ended 30 June 2020
- Government response to the report of the Justice Committee on the petition of Charlene Kraatskow
- Government response to the report of the Justice Committee on the petition of Laura O'Connell.

**DAVID SEYMOUR (Leader—ACT):** Point of order. Mr Speaker, I'd like to draw your attention to Speakers' ruling 26/6, which prohibits mentioning or arguing on the absence of a member from a select committee in the House. I feel you should withdraw and apologise—

**SPEAKER:** Order! The member will resume his seat right now, and I'm going to continue with general business and note that those papers are published under the authority of the House.

**David Seymour:** Point of order, Mr Speaker.

**SPEAKER:** The member has been here for a reasonable number of years now; he will resume his seat while I'm speaking. I just want to remind him of Speakers' ruling 21/7.

Select committee reports have been delivered for presentation.

**CLERK:**

- Report of the Economic Development, Science and Innovation Committee on the Gas (Information Disclosure and Penalties) Amendment Bill
- reports of the Environment Committee on:
  - the Building (Building Products and Methods, Modular Components, and Other Matters) Amendment Bill
  - the Climate Change Response (Auction Price) Amendment Bill
  - the petition of Holly Dove
- reports of the Finance and Expenditure Committee on:
  - the Overseas Investment Amendment Bill (No 3)
  - the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill
- reports of the Primary Production Committee on:
  - the Organic Products Bill
  - the petition of Debra Ashton
- reports of the Regulations Review Committee on:
  - the COVID-19 Public Health Response (Alert Level Requirements) Order 2021
  - the COVID-19 Public Health Response (Alert Level Requirements) Orders Nos 2, 3, and 4 2021
- report of the Social Services and Community Committee on the Child Support Amendment Bill, and
- reports of the Transport and Infrastructure Committee on:
  - the petition of Lindsay Andrews
  - the petition of Weston Kirton.

**David Seymour:** Point of order, Mr Speaker.

**SPEAKER:** Would the member sit down. We're dealing with general business and we're going to complete it.

The bills are set down for second reading. The reports of the Regulations Review Committee are set down for consideration.

## INTERVENTIONS

### Points of Order—Timing

**SPEAKER:** Now I'm just going to issue a warning to the member, and that is to continue to raise points of order—it's a matter which has been dealt with very carefully in the House by me, in the last week of the sitting—in a way that is inappropriate is disorderly, and there is only one result of that.

**DAVID SEYMOUR (Leader—ACT):** Point of order, Mr Speaker. I thought very carefully about what you just said, and I certainly don't wish to cause any disorder. I have

listened very carefully to your previous ruling in relation to Speakers' ruling 21/7. My understanding of that, and perhaps you can clarify for me, is that it refers to not being able to raise a point of order if a member had been absent at the time. The point of order I raised, I raised as quickly as was practicable—

**SPEAKER:** No, the member will resume his seat. The member's understanding is incorrect. We come to oral questions—

**Hon SIMON BRIDGES (National—Tauranga):** Point of order. The issue is, it seems to me, not so much what Mr Seymour's raising, but rather that what you did was criticise him for not being somewhere, and then in the next speech that you gave—

**SPEAKER:** Order! Order! The Hon Simon Bridges will leave the Chamber.

Hon Simon Bridges withdrew from the Chamber.

## ORAL QUESTIONS

### QUESTIONS TO MINISTERS

#### Question No. 1—Finance

**1. ANNA LORCK (Labour—Tukituki) to the Minister of Finance:** What reports has he seen on financial support given to businesses in the wake of recent alert level changes?

**Hon GRANT ROBERTSON (Minister of Finance):** The Government has a number of different types of financial support available for businesses during alert level changes. The resurgence support scheme, which has kicked in for both the alert level changes, on 14 February and 28 February, has so far paid out \$73.64 million to just over 37,500 businesses and sole traders. The payment is intended to help businesses with their fixed costs, like rent, and is still open for applications for both recent alert level changes.

**Anna Lorck:** What reports has he seen on the wage subsidy scheme after the most recent alert level changes?

**Hon GRANT ROBERTSON:** The wage subsidy scheme opened for applications last Thursday and as of this morning there had been 37,725 applications for the subsidy. Payments began yesterday and already just over \$82 million has been paid out.

**Anna Lorck:** What progress has been made on auditing the wage subsidy scheme?

**Hon GRANT ROBERTSON:** There has been a lot of interest in the integrity measures around the wage subsidy scheme, and I can report to the House that as of the end of February, 12,009 complaints had been received by Inland Revenue, the Ministry of Business, Innovation and Employment, and the Ministry of Social Development around the wage subsidy scheme; 10,934 audits have been resolved. There have been 20,973 refunds received, with \$726.2 million paid back to date.

#### Question No. 2—Prime Minister

**2. Hon JUDITH COLLINS (Leader of the Opposition) to the Prime Minister:** Does she stand by all of her Government's policies and actions?

**Rt Hon JACINDA ARDERN (Prime Minister):** Yes. Also, the announcement today by Minister Hipkins around establishing an advisory group that ensures, as we continue to respond to COVID-19, that we are continually improving and adapting our response. We've been very pleased to appoint a group that will be chaired by Sir Brian Roche, who's been involved in these continuous improvement assessments before. He'll be joined by Rob Fyfe, who I've been using on an ongoing basis as an adviser with the private sector, Dr Debbie Ryan, Professor Philip Hill, and Dr Dale Bramley, who has expertise in this area from a public health approach.



**Hon Judith Collins:** What were the criteria used for deciding to go out of lockdown on 17 February and back into lockdown 10 days later?

**Rt Hon JACINDA ARDERN:** We have a set of criteria that we've been using continuously throughout COVID-19 and movements around alert levels. It is not based solely on whether or not we have single cases or, indeed, whether or not a case emerges; it's all about whether or not we can identify the source of it and whether there are high-risk exposure events. So, to give you a specific example, the decision to go into level 3 in the most recent outbreak was because we had an individual where we could not immediately identify the source, but more importantly, perhaps, a high number of significant exposure events that we considered to be high risk, given the sheer number of people who may have come in contact with the case.

**Hon Judith Collins:** Why did Cabinet decide to come out of lockdown when only 76 percent of close contacts had at that time returned a negative COVID test on 17 February?

**Rt Hon JACINDA ARDERN:** Of course, at that time—and we had the discussion with the Director-General of Health and followed the advice there—we had still, of course, identified those who were needing to be tested. They had been told and required, of course, to isolate at home. They were not able to return, for instance, to their schooling environment until they had been tested. So we absolutely knew there were a cohort that remained for testing, but also had high confidence that that process would continue. There was an expectation that we could have a positive case from that cohort, but that was not contingent on us moving alert levels.

**Hon Judith Collins:** Does she agree with the Unite against COVID-19 Facebook page that the KFC worker was not required to isolate while they awaited the results of their test?

**Rt Hon JACINDA ARDERN:** Oh, I think this has been well traversed. I don't have personal responsibility for the individual comments that are made in response to comments on a Facebook page, and nor, as I understand, do those responses go through the Ministry of Health, who ultimately are the ones that provide the advice on what people should or shouldn't be doing when they're isolating.

**Hon Judith Collins:** Well, does she agree with the Unite against COVID-19 Facebook page, that said that the KFC worker was not required to isolate while they awaited the results of their test?

**Rt Hon JACINDA ARDERN:** Obviously, I do not agree with what was stated there. I stand by the Ministry of Health advice that was issued quite publicly.

**Hon Judith Collins:** Does she agree it is now clear that the KFC worker was told conflicting things?

**Rt Hon JACINDA ARDERN:** We would never give public health advice via Facebook comments and messages. That is not where we provide health advice. The other point that I'd make to the member is that this line in a comments section is not the place where we would be providing specific information to a household. The point that I think I'd also make to the member is the member is conflating these two cases. What happened with that particular household was not responsible for our return to level 3, and I think it was unfair to give any implication in this House that it may have been the case.

**David Seymour:** So should the public pay any attention at all to the Government's official New Zealand COVID Facebook page?

**Rt Hon JACINDA ARDERN:** What I'm clearly identifying here is that the statement made in a comment section was conflicting advice and not correct. We, of course, have stood by the advice, which was that all of those school students needed to be tested and needed to return a negative result.

**David Seymour:** So is the Prime Minister's advice to the public: "Listen to the comments on the Government's official Facebook page but not the posts." or is it "Listen

to the posts but not the comments.”, because this is getting more confusing by the moment?

**Rt Hon JACINDA ARDERN:** We have not changed our position. What was said was wrong.

**Hon Judith Collins:** When will she apologise to the 19-year-old KFC worker who is now being blamed by her publicly?

**Rt Hon JACINDA ARDERN:** And I again would refute that. What we’ve said is that the advice was clear: the students at that school needed to be tested. We, unfortunately, had a case where that did not happen for the better part of eight days. But never have I implied that anything was done deliberately. The vast majority of those school members were tested, but, unfortunately, we had a situation where there was a long delay before that happened for one household.

**Hon Judith Collins:** Does she think it’s appropriate for her, as Prime Minister, to blame the reason 1.5 million people had to suffer a seven-day lockdown on the actions of a 19-year-old who’s only recourse to defend themselves was to go on *Newshub* at 6 p.m. that night?

**Rt Hon JACINDA ARDERN:** I have never claimed—never—that we entered level 3 because of that case; and, in fact, I’ve just stood here and clarified that the question the member is asking is implying something that is totally incorrect. The first day I was asked about this case, we hadn’t even had a positive case that led to level 3. We were out of alert levels when I was first asked about it.

**Hon Judith Collins:** Well, if that’s so, why was the Prime Minister talking to the nation about the 19-year-old KFC worker in such a determined way about her behaviour?

**Rt Hon JACINDA ARDERN:** Again, this was asked of me on the Friday after we had returned out of alert levels. So it is patently incorrect. The member is, I’m sorry, wrong.

### Question No. 3—Education

**3. ANGELA ROBERTS (Labour) to the Minister of Education:** What is the Government doing in schools to tackle material hardship for families while also improving educational outcomes?

**Hon CHRIS HIPKINS (Minister of Education):** The start of the school year can be an expensive time for families, with a lot of additional costs. Providing a daily nutritious lunch is one way we can help ease the pressure on the household budget and ensure that our kids don’t miss out on learning because they are hungry. I can report that an additional 88,000 students and 322 schools and kura across the country have started the school year with a regular lunch on the menu thanks to the Government’s Ka Ora, Ka Ako healthy school lunches programme. They joined 42,000 students already receiving weekday lunches under the scheme, which was launched last year to help tackle child poverty, improve youth wellbeing and learning, and boost local economies.

**Angela Roberts:** How much further will the programme be expanded?

**Hon CHRIS HIPKINS:** By the end of the year, around 964 schools and kura, covering over 215,000 year 1 to 13 students, or around 25 percent of the student population across New Zealand, will be receiving a regular healthy lunch at school. We’ve already served up over 3 million lunches last year, with an additional 3 million lunches so far served this year, and we’re just getting started.

**Angela Roberts:** What are the benefits of this programme to the community as a whole?

**Hon CHRIS HIPKINS:** There’s huge benefits to the school community in that teachers report students are more engaged and, actually, student attendance in schools with the lunches programme improves. School lunches also have a positive impact on the

wider community, with the whole of the supply chain benefiting, from local growers, delivery drivers, local businesses, and community organisations that are preparing the lunches and supplying the schools. About 950 jobs have already been generated by the programme, and it's estimated that around 2,000 jobs will be created by the end of this year.

#### **Question No. 4—Prime Minister**

**4. DAVID SEYMOUR (Leader—ACT) to the Prime Minister:** Does she stand by all her statements and actions regarding the Government's response to COVID-19?

**Rt Hon JACINDA ARDERN (Prime Minister):** Yes, including our announcement yesterday that the Government has guaranteed that every New Zealander will have access to the Pfizer vaccine, after securing an additional 8.5 million doses. This brings our total Pfizer order to 10 million doses, or enough for 5 million people to get two shots of the vaccine, needed to fully vaccinate against COVID-19.

**David Seymour:** Did the Government officials confirm that every person connected to the Papatoetoe cluster who was required to self-isolate actually was self-isolating, and, if not, why not?

**Rt Hon JACINDA ARDERN:** Certainly there was the confidence that they'd communicated with members of the community, because that was happening not just through the public health units but through the school itself. And, of course, the high turnout of school members for testing—which, obviously, was over a thousand—demonstrated a level of confidence that those messages had got through.

**David Seymour:** Point of order. Mr Speaker, the question was about confirming whether people were self-isolating. The Standing Orders are very clear that there needn't be arguments or imputations other than those necessary to answer the question. The level of vaccination is completely irrelevant from confirming isolation.

**SPEAKER:** I think there was probably some additional information given by the Prime Minister. That's not against the Standing Orders.

**David Seymour:** Thank you, Mr Speaker, but point of order. My question was—had she addressed the question. I agree with you; she said more than she needed to—

**SPEAKER:** She did address it, right at the beginning.

**David Seymour:** OK, I'll have to accept your ruling, Mr Speaker.

**SPEAKER:** Good.

**David Seymour:** Was every close contact in the Papatoetoe cluster contact traced and told by officials to self-isolate within 48 hours, and, if not, why not?

**Rt Hon JACINDA ARDERN:** My recollection, of course, is that those defined as close contacts in that case were the 31 class members, and, yes, we returned those results relatively quickly. You'll remember from that we had one positive result. Then for the rest of the wider school community, yes, they were all, of course, asked to go home, isolate—or stay home, indeed, because it was the 14 February and a Sunday; stay home, isolate, and be tested. The point I was making in the answer to my first question is that the high number of individuals who then presented for testing demonstrated the confidence that officials had that those messages were getting through.

**Chris Bishop:** Is it the Government position that comments made by the Unite against COVID-19 Facebook page should not be relied on, and, if that's the case, why should the public have any faith in the substantive comments posted by that Facebook page?

**Rt Hon JACINDA ARDERN:** No.

**David Seymour:** Does the Prime Minister anticipate any kind of reprimand or penalty of case L for failing to follow rules that they were made aware of by the Government?

**Rt Hon JACINDA ARDERN:** In fact, thank you—I thank the member; this is an opportunity, I think, to correct one of the statements that was made during the opening

back and forth. I was asked at some point whether or not—at the bidding and urging, I think, of some Opposition members, for people to be prosecuted. The point that I made was that although those aren't decisions for any member of the Government, it's wrong to assume that people don't feel the consequences of when these issues happen. No one here has ever said anyone has deliberately ignored advice or not taken heed of the advice that has been given. But the idea of when a mistake happens or an error happens that there isn't consequence—I think people feel that acutely. The idea that a fine somehow changes the experience people have where things go wrong, I think is wrong. People do feel that consequence deeply.

**David Seymour:** Is the Prime Minister saying that the person's inviting the judgment of the whole country from the highest podium of the land, when case L has no platform from which to defend themselves, is enough of a consequence and fines aren't necessary?

**Rt Hon JACINDA ARDERN:** No, no. What I'm saying is this idea that we somehow improve an environment and create an environment where people will go out and willingly be tested or tell our contact tracers the truth—the idea that that is enhanced by fines, or indeed prosecutions, I think is a really debatable point, and, ultimately, those aren't decisions we make. But we all have to make sure we try and create an environment where people know how important it is to follow the rules, to get tested when we ask for testing to occur, and to give all the information to our contact tracers.

**Chris Bishop:** Has she investigated how and why what she now says is incorrect information was posted by the Unite against COVID-19 Facebook page?

**Rt Hon JACINDA ARDERN:** I think the member needs to give the context here. There was a discussion on a thread, as I understand, and then someone replied in response to that. So the point that I'm making to the member is the idea that we would communicate important information to an individual family who is required to isolate in that form is not accurate. Of course the expectation is that they would receive it directly, either through, for instance, the school or through a public health unit. Obviously, we've acknowledged here that the post in that comment section was not correct.

### **Question No. 5—Social Development and Employment**

**5. STEPH LEWIS (Labour—Whanganui) to the Minister for Social Development and Employment:** What support has the Ministry of Social Development provided to people and families affected by the COVID-19 restrictions?

**Hon CARMEL SEPULONI (Minister for Social Development and Employment):** Budget 2020, in response to COVID-19, provided further funding of \$200 million over two years to help social service organisations meet the need created by COVID-19 and to help plan for any resurgence. As a result of the recent alert level restrictions, the Ministry of Social Development (MSD) have been checking in with social service organisations in Auckland to ensure they're well placed and able to meet the needs of their local communities. Some reported an increase in demand, but the majority stated that they were well resourced to meet that demand. There were a few who reported needing additional funding, mostly to meet food demand. MSD were able to provide this.

**Steph Lewis:** What additional support has been provided?

**Hon CARMEL SEPULONI:** Last week, the Government announced the activation of the most recent COVID-19 wage subsidy. So far, we've seen \$82 million paid to businesses and self-employed people through the wage subsidy. There has, of course, also been the leave support scheme and the Short-Term Absence Payment. The suite of income support that we're encouraging businesses and people to tap into is aimed to reduce the financial pressure on businesses and to support everyone to continue their valuable role in keeping COVID-19 in check.

**Steph Lewis:** How has MSD been connecting with Māori, Pacific, and ethnic communities?

**Hon CARMEL SEPULONI:** Fact sheets have been produced in 12 different languages and have been shared throughout MSD's network channels. These are also available online. MSD have strong relationships in the Auckland region and have been working closely with social services and with Whānau Ora commissioning agencies, who play an important role in getting assistance and information out to Māori and Pacific whānau. Alongside this, a targeted strategy has been used to ensure key information has been provided to hard-to-reach groups and the Papatoetoe High School's contact list of whānau and students.

### Question No. 6—Infrastructure

**6. ANDREW BAYLY (National—Port Waikato) to the Minister for Infrastructure:** How many of the 170 projects announced by the Government, as part of its shovel-ready scheme announced in April last year, if any, has construction not started on?

**Hon GRANT ROBERTSON (Minister for Infrastructure):** I'm happy to advise the member that, in fact, the Government has now contracted 205 infrastructure reference group (IRG) projects, for all of which initial design and planning work has now commenced. Part of the approval process for IRG projects is an expectation the projects must start construction within 12 months of the contracted date. Thus far, construction has started on 49 projects. It is important to note that when we announced the funding for the IRG projects, we were expecting mass unemployment and a need to create extra capacity in our construction sector. Thankfully, that scenario has not eventuated; in fact, we are facing restricted capacity in the construction sector, but the IRG projects are giving confidence to the sector of a pipeline of work.

**Andrew Bayly:** By what date will the 121 stalled shovel-ready projects have shovels in the ground?

**Hon GRANT ROBERTSON:** I reject the premise of the member's question. We have contracted 205 projects. What we have is a construction environment that is thriving, with 21,000 extra workers in the construction sector in December—something the member might want to celebrate.

**Andrew Bayly:** Why, 12 months after the shovel-ready programme was announced, are there still shovel-ready projects—121—with no shovels in the ground despite there being over 200,000 people on the jobseeker benefit?

**Hon GRANT ROBERTSON:** I just repeat what I said in my last answer: there are 21,000 more people in the construction sector than we saw in the December quarter. Two hundred and five projects have been contracted. The Government has done the work. We have now got those projects ready to go. As the construction sector can absorb that capacity, we will see those projects roll out.

**Andrew Bayly:** How many of the 170 shovel-ready projects that were promised have been, or are being, reassessed or re-evaluated?

**Hon GRANT ROBERTSON:** As I said to the member in my primary answer, 205 infrastructure reference group projects have been contracted. I believe there might be another 15 that are currently being worked through to be re-scoped, and potentially may not go ahead, but, actually, I think many of them will. [*Interruption*] Fifteen—15.

### Question No. 7—Oceans and Fisheries

**7. Hon EUGENIE SAGE (Green) to the Minister for Oceans and Fisheries:** How many habitats of particular significance for fisheries management have been defined and protected under section 9(c) of the Fisheries Act 1996 in the last 10 years?

**Hon DAVID PARKER (Minister for Oceans and Fisheries):** Section 9(c) of the Fisheries Act sets out the environmental principles of the Fisheries Act. That principle informs decisions made under other parts of the Act, but habitat protection does not occur under section 9(c). So the answer is that under section 9(c) of the Fisheries Act, none has occurred nor could be.

**Hon Eugenie Sage:** Does he think that it's acceptable that under successive Governments, Fisheries New Zealand and the Ministry for Primary Industries have failed to use one of the three key environmental principles in its legislation, which is about identifying areas of significance for fisheries?

**Hon DAVID PARKER:** I am expecting commentary on that particular issue to be released following the release of the Chief Science Advisor's report, which I think will be helpful and is likely to suggest further reliance on habitat protection measures that can be enabled under the Fisheries Act that haven't been.

**Hon Eugenie Sage:** Has the Minister asked Fisheries New Zealand to consider using section 9(c) of the Fisheries Act to protect seamounts from the impacts of bottom trawling, due to their significance for aggregations of fish such as orange roughy, for fish spawning, and for biodiversity; and, if not, would he consider making such a request?

**Hon DAVID PARKER:** I will be considering the Chief Science Advisor's advice, which I think will impact upon issues such as the one that the member has raised.

**Hon Eugenie Sage:** Does he agree with the statement of NIWA's Dr Malcolm Clark, about bottom trawling, that it may take "multiple decades or even centuries for a seamount community in the deep sea to recover, and hence management really has got to focus on protecting the unimpacted areas"?

**Hon DAVID PARKER:** I agree that forms of bottom trawling can cause damage to habitat and that that needs to be minimised.

**Hon Eugenie Sage:** When he said in this House last December, "We need to do better in respect of bottom trawling", when does he expect to be able to do better?

**Hon DAVID PARKER:** We're working hard on advancing those issues, not just through the advice from the Chief Science Advisor but also looking at technological solutions to improve or reduce the impacts of bottom trawling.

### Question No. 8—Education

**8. WILLOW-JEAN PRIME (Labour—Northland) to the Associate Minister of Education:** What initiatives has the Government recently announced to remove barriers to participating in education for young people in schools?

**Hon JAN TINETTI (Associate Minister of Education):** Recently, I was proud to announce, alongside the Prime Minister, that from June this year, all primary, intermediate, secondary school, and kura students will have access to free period products. Young people should not miss out on their education because of something that is a normal part of life for half of the population. Young people have told us that having a period has caused them to either miss school or not participate because of barriers such as feeling embarrassed or the cost of products. We are removing these barriers by offering free products in all New Zealand schools.

**Willow-Jean Prime:** What did we learn from stage one of the pilot programme for free products?

**Hon JAN TINETTI:** Phase one of the period products initiative involved a pilot programme with 15 schools in the Waikato region: 3,200 students have so far received free period products. We learnt that choice in the types of period products made available and the way they access them is important to young people. Yesterday, I heard from a group of high school - aged young women that prior to the period product initiative, periods in their school were stigmatised. The initiative has encouraged more open

conversations in schools and communities about menstrual health with both young women and men.

**Willow-Jean Prime:** How will the next phase of the initiative be rolled out across New Zealand schools?

**Hon JAN TINETTI:** Based on the lessons and insights we have had from phase one, we are currently running an open tender process for a supplier of period products to be rolled out to the schools nationwide. So far, we have already had 1,294 schools signed up. When the procurement process is complete, the scheme will be rolled out in a phased delivery, with period products available towards the end of term 2 for schools and kura that opt in by March of this year. We want to see fewer young people missing school because of their period, improved participation in school life, and reduced financial hardship amongst families of students receiving products.

### Question No. 9—Workplace Relations and Safety

**9. CHRIS BISHOP (National)** to the **Minister for Workplace Relations and Safety:** Has the Government commenced a “fundamental review of the design of the [COVID-19 Leave Support Scheme]”, and what changes, if any, is the Government contemplating to the COVID-19 Leave Support Scheme?

**Hon MICHAEL WOOD (Minister for Workplace Relations and Safety):** The Government has made and announced the changes resulting from its reconsideration of the COVID-19 Leave Support Scheme. The short-term absence payment commenced on 9 February. This new payment has been very successful and in just one month we have already approved 4,770 applications under that scheme. This payment now applies to any worker who cannot work from home but needs to stay at home while they are waiting a COVID-19 test result. The member can find details about the scheme and how to apply on the Work and Income website.

**Chris Bishop:** Is the Government considering policy to compensate people who are asked to self-isolate at home at 100 percent of what they were earning before being asked to self-isolate, and, if not, why not?

**Hon MICHAEL WOOD:** We’re not currently considering a policy of the nature that the member describes. The Government is providing considerable support to employers and employees including through the Short-Term Absence Payment and the COVID Leave Support Scheme. But we’ll keep a watching brief on this situation as we have throughout the COVID-19 period. In fact, I think one of the successes of the Government’s response to COVID-19 is that we’ve been willing to continuously review the support measures that we’ve put in place, as evidenced by the recent changes to the Short-Term Absence Payment (STAP) scheme.

**Chris Bishop:** Has he seen the Ministry of Business, Innovation and Employment (MBIE) advice, which stated that people who cannot work from home and who don’t have sufficient paid leave may face a financial penalty by self-isolating, and, if so, why will the Government not move to increase the amount of money given to workers who are asked to self-isolate?

**Hon MICHAEL WOOD:** I’ve seen the full range of advice provided by MBIE to the Government on these matters. As I’ve said, we’ll continue to keep that under review, but we are offering significant support, and the evidence from the fact that in just one month we’ve had 4,770 people take up the STAP scheme—those are employers—suggests that it is hitting the mark. I also note other advice from MBIE which makes this point, and I’ll quote directly from the advice, that the proposed suggestion of paying directly to employees is considerably more complex and “would likely not be implementable in the short term and would raise complex policy issues that would need to be worked through in detail, and the changes would likely require legislative support.” Again, one of the

successes of the Government's COVID-19 response has been that we've been able to stand up, support quickly, and get it through to employers and employees. That's what we've been able to do with the STAP scheme. But, again, I don't rule out further changes if those are justified in the future.

**Chris Bishop:** Why does Government policy currently entitle workers who are asked to self-isolate to money less than the minimum wage rate that has to be applied for by their employer?

**Hon MICHAEL WOOD:** I have a quote here which I'll read to the House. It's from Gabby Adds, who is from Employsure, New Zealand's largest workplace relations adviser, and this was in response to the STAP scheme. She said, "Business owners have a key role in helping restart economic growth in the country. I believe small short-term payments are a step in the right direction that will help put us back on track." I think what Ms Adds is getting to in that comment is consistent with the Government's position, which is that there is a role for everyone in making this work. Yes, there is a role for the Government in providing support to employers. That's what we do through the Leave Support Scheme and the Short-Term Absence Payment scheme, but there is also a role for employers in making sure that people have got access to their full employment entitlements, including sick leave, and there's a role for employees in terms of staying at home when they're unwell. It isn't simply all on Government to pay every dollar, to cover every cost that emerges because of COVID-19, but we are there providing significant support and we'll continue working with employers to achieve that.

#### **Question No. 10—Emergency Management**

**10. TĀMATI COFFEY (Labour) to the Minister for Emergency Management:** What progress has been made in building the capability and capacity of the emergency management workforce?

**Hon KIRITAPU ALLAN (Minister for Emergency Management):** In August 2018, my predecessor, the Hon Kris Faafoi, on behalf of the Government, invested \$5.2 million to establish a specialist rapid-response fly-in team to support communities in an emergency, now known as the Emergency Management Assistance Team. The multi-agency team became operational on 1 September 2019. Last night, I had the pleasure of visiting the third of these 13-day training courses in the mighty, mighty Wainuiōmata. By the end of this course, there is expected to be around 50 trained members of the team from across central and local agencies.

**Tāmati Coffey:** How does the Emergency Management Assistance Team support responses to local emergencies?

**Hon KIRITAPU ALLAN:** As part of an emergency response, the team will deploy specially trained emergency managers, at very short notice, to support local groups, including by setting up command centres and providing an event controller. Members of the team have significant experience in crisis response, and bring specialist skills in public information management, strategic communications, operations, planning, and intelligence, and iwi and community engagement.

**Tāmati Coffey:** What deployments have been undertaken by the Emergency Management Assistance Team to date?

**Hon KIRITAPU ALLAN:** Since the team launched in September 2019, it has been deployed to assist the West Coast in a severe weather event in December 2019, flooding in Southland in February 2020, the all-of-Government response to COVID-19 during March 2020, and a Queenstown deployment in May 2020 as part of the COVID-19 response. While we hope that the team does not need to deploy too often, the events of last Friday were a timely reminder of the hazards and risks that New Zealand faces. Can I thank the team for the dedication and skill that they bring to their work to deliver to New



Zealanders a consistent level of support in emergencies, no matter where or when they happen.

### Question No. 11—Health

**11. CHLÖE SWARBRICK (Green—Auckland Central)** to the **Minister of Health**: Does he consider the Misuse of Drugs Act 1975 supports the Government’s commitment to “minimising drug harm and to treating drugs as a health issue”?

**Hon ANDREW LITTLE (Minister of Health)**: Yes, it does support that objective. In the last term of Government, two changes were made to the Misuse of Drugs Act 1975 to better align it with a health approach. Firstly, in 2018, the Act was amended to include a medicinal cannabis scheme; and secondly, it was amended in 2019, allowing for police discretion over prosecution for possession.

**Chlöe Swarbrick**: Does he agree with the recommendations of *He Ara Oranga*, the mental health and addiction inquiry, and *Turiki! Turiki!*, the safe and effective justice review, that we must remove criminal sanctions for a genuine, health-based approach to drugs?

**Hon ANDREW LITTLE**: As I recall the recommendation from *He Ara Oranga*, it was that criminal responses that were then in the Misuse of Drugs Act should be replaced with more health-based approaches. That is the effect of the 2019 amendment to the Misuse of Drugs Act.

**Chlöe Swarbrick**: What actions has he asked officials to take in response to the recommendations of those reports to decriminalise drug use in order to implement that health-based approach?

**Hon ANDREW LITTLE**: Given that the changes in 2019 to the Misuse of Drugs Act do remove the kind of criminal response leaning of that Act to those who are found to be in possession of classified drugs, I’ve given no further instruction to health officials. We have a large work programme for health, as we speak at the moment, in both mental health and addiction, and in wider health reforms, and that remains our priority.

**Hon Dr Nick Smith**: Will the Government respect the outcome of the 2020 referendum and rule out any liberalisation of New Zealand cannabis laws?

**Hon ANDREW LITTLE**: The Government has respected the outcome of the 2020 referendum on legalisation of cannabis.

**CHLÖE SWARBRICK**: Does he agree with the 69 percent of New Zealanders who, in a poll released today, believe that cannabis should no longer be criminalised? *[Interruption]*

**SPEAKER**: Order! Order! Who interjected then? Well, someone over here interjected. Could the person who called out indicate who they were? I’ll go back and listen to the tape.

**Hon ANDREW LITTLE**: I’m aware that polls on the issue of liberalisation of cannabis bounce around a bit. It was only two years ago that there were polls showing that the majority of voting New Zealanders were in favour of legalising cannabis. When it was put to 2.7 million voters, it came out with a different view. So I take those polls with a grain of salt.

### Question No. 12—Housing

**12. NICOLA WILLIS (National)** to the **Minister of Housing**: Does she stand by her statement that “Motels are not a suitable environment for vulnerable individuals, families and whanau and they are also not cost effective”; if so, how many people is the Government funding to live in motels now compared to the last quarter of 2017?

**Hon Dr MEGAN WOODS (Minister of Housing)**: Yes, and that is why we have a programme to supply 6,641 transitional homes by 2024. In answer to the second part of

the question, in relation to what I have ministerial responsibility for, 293 motel places were being provided as transitional housing in the last quarter of 2017, and in the last quarter of 2020 there were 907 places being provided. There were also 983 additional motel places provided as part of the Government's COVID-19 response in the last quarter of 2020. These are the additional places we funded to ensure that all New Zealanders had the opportunity to safely isolate during the lockdown.

I'm particularly proud of what we achieved last year during the COVID-19 lockdown, with one community leader saying, "it's the closest we've come in a generation to getting everybody off the street." I do note there are other motel places funded that I do not have ministerial responsibility for, such as through the emergency housing special needs grant administered by Ministry of Social Development. The number of clients receiving an emergency housing special needs grant has increased from 2,880 in the last quarter of 2017 to 8,503 in the last quarter of 2020. Corrections also provide accommodation. However, figures are not centrally held and are not possible to generate in the time frame available.

**Nicola Willis:** Is she really saying that as the Minister of Housing, she takes no responsibility for the fact that there are, on her watch, thousands more families, four times as many—

**SPEAKER:** Order! Order! The member will ask a question. You've got one.

**Nicola Willis:** Is she really saying that—

**SPEAKER:** No, not again. Just finish.

**Nicola Willis:** —are being forced to raise their children in motels on her watch?

**Hon Dr MEGAN WOODS:** I think if the member listened to my answer, what she would have heard is me outline the bits that I have direct ministerial responsibility for—that come under the appropriation which I am responsible for—and what comes under the Ministry of Social Development, for which a colleague has responsibility. I also pointed to the piece of work that I, as the Minister of Housing, am responsible for, and that is the delivery for additional transitional homes. I do take, absolutely, responsibility for that, because, no, I do not believe it is a place to raise a child—in a motel. But even more, I do not think a car or a garage or a street is a place to raise a child.

Now, that member is a member of a party that in Government refused to admit that we had a homelessness problem. In fact, after nine years in Government, a petition was brought to this House calling on there to be a strategy, a policy, and even a Minister to address homelessness. In 2016, when there was finally some money put in to provide motel rooms, Paula Bennett said that the 3,000 emergency beds being funded through Budget 2016 were only funding what was already being provided because it was just not tenable to deliver the needed beds. So that member should hang her head in shame when it comes to homelessness.

**Nicola Willis:** Does she take direct responsibility for the fact that her Government is now spending a million dollars a day to house people in motels and boarding hostels?

**Hon Dr MEGAN WOODS:** What I also take direct responsibility for is the fact that we are a Government that is willing to admit, address, and finally get some action on the fact that we have a homelessness problem in this country. We have funded the provision of 6,641 transitional housing places in this country. That is going to deliver more than three times what was available. We are a Government with a plan, we are delivering on it, we are willing to admit it, and we are actually funding it.

**Hon Chris Hipkins:** Would New Zealand have such a need for emergency housing if the previous Government had built additional State houses at the rate the current Government is building them?

**SPEAKER:** Order! Order!

**Hon Chris Hipkins:** Yes, it's completely within order.

**SPEAKER:** No. I think I have, over the last recent time, been a little bit liberal on Government members doing donkey drops about the actions of previous Governments. *[Interruption]* Not helpful if people want further supplementaries. The other point that I will make now that I'm on my feet is that I've been reviewing the Minister's answers to the questions. The questions to her are about the Government's response, as she is the Minister responsible for that, and she is responsible, in answering the question, for answering for all of the Government, not just parts of it.

**Nicola Willis:** Why is it that, more than four years after Labour was elected on a promise to solve the housing crisis, there are now thousands more people being forced to live in motels, at a cost of a million dollars a day?

**Hon Dr MEGAN WOODS:** What I can tell that member is that if she thinks that homeless people have magically appeared in the last 3½ years, she has learnt nothing from the inaction and mistakes of her party when they were in Government. What we are is a party and a Government that is committed to finally owning up to the fact we have a homelessness problem in this country, that we have a housing crisis, and that we are putting the actions into place. Those homeless people were previously sleeping in cars, they were sleeping in garages, and they were sleeping on the street. I do not think motels are ideal, but I would put anyone up in a motel over them sleeping on the street any day of the week.

**Nicola Willis:** Can she confirm that the Government now has financial arrangements in place with more than 950 motels and boarding hostels across this country for the purpose of emergency housing, and is this what Labour meant when it said it would solve New Zealand's housing shortage?

**Hon Dr MEGAN WOODS:** I don't have that number—the number of providers—in front of me, because some of those won't be direct arrangements, because they will be funded through the special needs housing grant, but what I can tell that member is that this is preferable to having 900-odd cars available for people to sleep in, which was the response of the previous Government. What I am still waiting to hear is what the alternative is that that member is proposing. Is she suggesting that we cancel those motel contracts and put those people back on the street, where her party left them?

### **URGENT DEBATES DECLINED COVID-19—Alert Level Changes**

**SPEAKER:** I have received letters from David Seymour and the Hon Judith Collins, seeking to debate under Standing Order 399 the Government's announcement on Saturday, 27 February, putting the Auckland region into alert level 3 and the rest of the country into alert level 2. This is a particular case of recent occurrence for which there is ministerial responsibility. However, the House has had the opportunity to question the Government following the ministerial statement made earlier in the House this afternoon. I do not think that an urgent debate is also warranted.

### **SPEAKER'S RULINGS**

#### **Urgent Debates—Updated Procedure for Applications**

**SPEAKER:** I would, however, like to advise the House of updated procedures for applying for an urgent debate. Speakers' ruling 198/4 requires that the written notice required under Standing Order 399 must be handed to a member of the Speaker's staff. In practice, most applications are emailed to my office. Notices that are emailed will be treated the same way as hand-delivered ones. Notices should be signed by the member making the application, but I will accept a notice sent from the member's email address, or sent from another parliamentary address if it contains a statement that the application

was authorised by the member or by another member on their behalf. That aligns the practice for urgent debates with the practice for lodging questions or notices of motion.

### URGENT DEBATES DECLINED

#### **Mental Health and Wellbeing Commission Report—*Mā Te Rongo Ake***

**SPEAKER:** I have also received a letter from Matt Doocey, seeking to debate under Standing Order 399 the release of the initial Mental Health and Wellbeing Commission report, *Mā Te Rongo Ake*. This is a particular case of recent occurrence for which there is ministerial responsibility. The release of a report may warrant an urgent debate, but this must be exceptional, especially where working through a report's recommendations will take some time. I refer the member to Speaker's ruling 208/6. Now, the release of this initial report does not warrant the setting aside of the business of the House today. The application is declined.

### COVID-19 ORDERS

#### **Approval**

**Hon CHRIS HIPKINS (Minister for COVID-19 Response):** I move, *That this House approve the following orders made under the COVID-19 Public Health Response Act 2020:*

- *COVID-19 Public Health Response (Air Border and Isolation and Quarantine) Amendment Order (No 2) 2020,*
- *COVID-19 Public Health Response (Maritime Border) Order (No 2) Amendment Order 2020,*
- *COVID-19 Public Health Response (Air Border and Isolation and Quarantine) Amendment Order (No 2) 2020 Amendment Order 2020,*
- *COVID-19 Public Health Response (Air Border) Order (No 2) Amendment Order 2021.*

The motion that I have just mentioned confirms four orders that I have made under the COVID-19 Public Health Response Act 2020, a brief comment on the process that has led us to this point first, and then I'll go through the specific orders. Under the rules set by the House, my ability to issue an order under the Act is subject to parliamentary scrutiny through the Regulations Review Committee. That is absolutely appropriate because the COVID-19 Public Health Response Act 2020 gives me, as the responsible Minister, quite considerable ability to issue orders, and there should be parliamentary scrutiny of those.

The Act recognises that we need to make decisions quickly and we often need to amend those decisions quickly as we deal with an unprecedented global pandemic. It is still important, however, that those speedy decisions are the subject of scrutiny by the House, and I want to thank the Regulations Review Committee for the work that it has done in fulfilling that function. Three of the orders that we are confirming now have been inspected by the committee and they found no matters that they wished to bring to the attention of the House. Those are the amendments that have been made to the COVID-19 Public Health Response (Air Border and Isolation and Quarantine) Amendment Order 2020—two lots of amendments there—and also to the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020. Those are relatively technical changes, reasonably straightforward, and have been well canvassed.

The order that the committee did want to raise an issue with, and I want to speak to the issues the committee raised, is the COVID-19 Public Health Response (Air Border) Order (No 2) 2020. This is the order that I signed off on in January 2021 that provides for the new pre-departure testing requirement. Nobody, I think, objected to the pre-departure

testing requirement. In fact, I think that was broadly supported across the House. What the Regulations Review Committee did, however, question was exactly how that pre-departure testing system was going to operate and, in particular, who would make decisions about who was covered by it and who was exempt. They've raised, I think, some quite legitimate issues that the Government will address. So, while we're confirming the order as made, I do want to accept the criticism made by the Regulations Review Committee and say that we are going to go about fixing that, to ensure that the anomalies that they have identified have been addressed. There are two ways that we'll do that, but first to what those anomalies are.

This amendment order established the requirement for people before travelling to New Zealand to get a negative COVID-19 test within 72 hours prior to departure. I delegated, through the order to the director-general, the power to gazette the countries to whom the pre-departure testing would apply. Initially, we imposed that requirement on travellers coming from the US or the UK, with a note in the decision that the reason for doing that was because of the significant outbreaks of COVID-19 that they were experiencing, and particular concern around the more highly transmissible variant emerging in the UK. Allowing the director-general to gazette which countries it applied to allowed us to add countries as risk was identified. The reality now is that, within a short space of time, the presumption there reversed: where we extended that requirement to all the countries unless there was an exemption, and then subsequently issued an exemption to that.

The reason the Regulations Review Committee raised a concern was that the COVID-19 Public Health Response Act 2020 specifically allows the director-general to exempt people from requirements. The Regulations Review Committee was concerned that allowing the director-general to decide who was covered by requirements was an unusual or unexpected use of the delegation ability within the Act. I think that that's a legitimate point; so we will amend the order to make it clear that it applies to everyone, unless people are exempted. So we will make that as a further amendment to the order, and then that will then be subject to Regulations Review Committee scrutiny again. That will get around the issue that they have raised. However, it does raise a wider issue that the Parliament will have an opportunity to consider when we next consider amendments to the Act itself, and that is whether or not the director-general should be empowered to be able to include people within the scope of an order, rather than just exempt them from the scope of an order. That's particularly, I think, relevant when we're talking about quite operational decisions. It is an anomaly, I think, in the Act.

The Act itself was passed through Parliament during an emergency situation where we had to put a legal framework in place very quickly, and so we now know a little bit more about how that Act can be improved. I intend to bring forward several sets of amendments to the Act. The first, which will come through in the next few months, will be the easier changes to improve the Act that have been identified. A second, later in the year, will deal with some of the bigger policy issues that have been raised. Obviously, one of the reasons for doing this is I want the Act to be as complete as possible. Also, I think it's important that the Act, which is likely to be used as a template should we ever have to do this again in the future, is as up to date and reflective of practice as possible. So we'll bring further amendments to the Act forward in the future.

But, ultimately, these are all sensible decisions—I think; I made them—being approved by the House that are an integral part of our overall COVID-19 response. They largely relate to movement around the border and making sure that our rules there are as clear as possible. So most of the amendments we're dealing with here are amendments of clarification, and then, also, the most substantive additional amendment we're making is the implementation of pre-departure testing, which, as I said, I think everybody, by and

large, supports, but there has been a technical issue about how that was implemented that we are working to resolve.

**DEPUTY SPEAKER:** The question is that the motion be agreed to.

**CHRIS BISHOP (National):** Thank you, Mr Speaker. I want to thank the Minister for COVID-19 Response for the fulsome update to the House. The National Party supports these orders and will be voting accordingly. I want to make three points just in response to the comprehensive explanation given by the Minister. The first is that we have read the report of the venerable Regulations Review Committee in relation to—

**Hon Chris Hipkins:** The all-powerful!

**CHRIS BISHOP:** —pre-departure testing—all-powerful; “somewhat powerful” is probably a better description! We’ve read the review and want to thank Chris Penk, who’s the chair of the committee, for doing a good job on that and leading the committee through that. I think the Minister’s comments around sorting out the anomalies are something that we would support. I mean, the reality is we’re dealing with tricky issues of when Ministers have powers and when those are delegated to officials rather than Ministers, and, you know, no one pretends that you get these things right all the time, which is why we have the Regulations Review Committee to investigate those finely grained issues of constitutional detail and bring them to the attention of the House—so that’s the first point.

The second point is that I note the Minister’s comments around the review of the COVID-19 Public Health Response Act more generally. I think we would welcome that review. And, as to how it’s working, I encourage the Minister to possibly engage with the Health Committee around some of the scope of that review, and the Health Committee may be able to provide assistance there, because, I think, it is important that we have bipartisan—or as much multi-partisan support for that Act as possible.

I think one of the suggestions that has been made is that the Epidemic Response Committee should be re-formed—that has certainly been made by some members of the House. I think, if there’s not going to be an Epidemic Response Committee formed as a somewhat permanent, temporary standing committee for the purposes of this Parliament, it would be good to see the Health Committee of the Parliament using more of the powers that the committee has available to it around briefings from Ministers but also the senior officials at the heart of the COVID response, and also looking at expert testimony from epidemiologists and other public health experts who are either peripherally involved or directly involved in the response.

I also note what the Minister spoke about earlier, during the ministerial statement part of the foregone proceedings in the House, around looking at the scope of the various orders that exist now around the laundry worker who is potentially, or possibly, the source of this most recent cluster, and there’s a review under way on that to look forward to, possible amendments to the various public health orders coming on that in due course. We accept the Minister’s point that the public health advice, or at least the risk matrix that was determined at the time, was that they shouldn’t be included in the order, and perhaps they now should be—this is a part of the continuous improvement that we all want to see.

So, with those remarks, we support these orders. I thank the Government for bringing them to the attention of the House so that the House can confirm them.

**DAVID SEYMOUR (Leader—ACT):** Mr Speaker, I rise at this auspicious occasion in parliamentary history. It’s almost the first time in the history of our Parliament that the ACT Party has more members in the Chamber than the National Party. I just couldn’t help but point that out. I’m not quite sure what’s happening there, but I hope that they haven’t got lost somewhere in the building or complex!

In any case, this is a very serious matter that we should turn to. The history here is that there was a lot of dissension over—oh, here comes another one; we’re back—the

COVID-19 Public Health Response Act. And, I guess, the safety valve that the Government put in place—and I think it was a good one—was to be able to continue to debate the orders that were put in place, because we gave some pretty extraordinary powers to the Minister and the Chief Executive of the Ministry of Health that would restrict New Zealanders' freedoms. We felt that Parliament, being an elected House of Representatives, should have the ultimate oversight over that, and it has. As ACT, we believe that these orders certainly haven't threatened New Zealanders' basic liberties in any particularly pernicious way, and we'd actually encourage the Government to start using them more surgically, for want of a better term, so that it can combat COVID-19 without putting such damaging blanket restrictions on New Zealanders' freedoms such as, for example, spending most of the last three weeks under some level of restriction.

As Aucklanders, that is having a devastating effect on kids' education, on people's non-COVID healthcare, on businesses going broke. I've got businesses—the Minister said the events space is going well; he should ask the people at the ASB Events Centre, an iconic venue in huge trouble. You ask, "Well what does that mean?" and "Why is that relevant here?" Well, we have orders and restrictions under the alert level regime, at least, which mean that you can go to a shopping mall with thousands of other people—Westfield Newmarket every Saturday, every Sunday; there's more people in that mall than a lot of towns in this country—and yet ASB Showgrounds can't have an event with the same number of people, even though they're prepared to put much more stringent controls into the access that people have. We'd make the case, on behalf of the ASB Showgrounds and other people trying to hold events, that actually the Government should use these powers it has to make orders that are a lot more surgical in the way that they keep people safe from COVID and allow people to go about their business. You can go to Westfield Newmarket with a couple of thousand other people at a time, constantly going in and out—very dangerous. Having a controlled, restricted entry in and out, with special planning of where people can stand at any given time within the ASB Showgrounds—people who are experts at tracing who comes and goes from their exhibitions for other reasons, by the way—they can't do it. And I think that's an example where it could be more surgical.

Another example, you know, we've got air border orders that we are confirming here. The border is now facing quite a range of different people. We haven't had a case from Australia, if I understand it, for months, but we're still getting cases almost every day from other parts of the world. There are countries that are very close friends of New Zealand, particularly our friends in the Pacific—you know, your Samoa, your Cook Islands—where they have no cases of COVID and haven't had for a long time, in Samoa's case ever. They are at greater risk of catching COVID-19 when they get put in managed isolation at the Pullman in New Zealand than they are in Samoa or once they get out to the rest of New Zealand. The question is, why do we endanger them like that? Again, the Government could use the orders, the powers this Parliament's given it, to be more surgical, to actually start treating different risks differently.

So, far from saying that we need to restrain the Government or stop it from using these orders, I'd actually encourage them to make use of the powers that Parliament's given the Government to put in place orders that allow people to maximise their freedom and prosperity without having to be further endangered by COVID. There's lots of opportunities to do it; I've given two. What do I know? I'm just an Opposition member of Parliament who's identified two pretty obvious opportunities that the Government hasn't used. I think, if the Government was to bring the extraordinary resources that it has, \$100 billion a year budget, I suspect it could actually think up quite a few more ways to use more surgical orders.

Here's another one: we have an NZ COVID Tracer app. Now, I'd be willing to support the Government saying, actually, not only is it mandatory for businesses to display a QR code it's mandatory for visitors to those businesses to use them. Let me just tell you how it works; it's pretty simple. Person A, Matt Doocey, comes in. Now, if there's 50 percent usage, then there's a 50 percent chance that we get him. Now, of course, I know Matt Doocey uses it all the time; he's a good citizen, very good representative of the people of Rangiora.

**Hon Scott Simpson:** Hard-working MP!

**DAVID SEYMOUR:** Yep, hard-working MP. Fifty percent chance that Person A uses it. Then the next person that comes in, Scott Simpson, hard-working MP for Coromandel, 50 percent chance that he uses it. The chance that both of them scanned in at the same place is only 25 percent, and that's if 50 percent of people are scanning in. The chances of actually connecting two people who are there is only 25 percent. Now, in reality, we're lucky if 10 percent of people are using it, and 10 percent times 10 percent is a 1 percent chance of it working. So all the good people like Scott Simpson and Matt Doocey, hard-working representatives of provincial New Zealand who scan in wherever they go—and there's Stuart Smith, he's looking for a bit of attention in the back there—

**Stuart Smith:** Absolutely!

**DAVID SEYMOUR:** He's from Kaikōura and he scans in. All the hard-working people like Scotty and Matt and Stuart—I should say Simpson, Doocey, and Smith, Mr Speaker, because I want to follow the Standing Orders—they're all working hard along with a whole lot of New Zealanders who go and follow the rules, turn their Bluetooth on, and scan, but the reality is that so few other people are doing it that the Government's not tracing anyone.

We heard that; the silence was deafening. During this Valentine's Day outbreak, we did not hear anything from the Government. If they'd used the NZ COVID Tracer app to actually connect any cases in that cluster, they would have been shouting from the rooftops. They would have been saying the Tracer app is working; I guarantee it, because this Government's good at nothing if not publicity. The fact that we didn't hear from them tells me they didn't trace a single contact using the NZ COVID Tracer app. Well, I'd be supportive, and ACT would be supportive, of the Government using the powers it has under the COVID-19 Public Health Response Act to actually put in place some mandatory requirements. It's already mandatory for a business to display a QR code; why not make it mandatory to sign in?

There's another way they could use these powers, and if that means that we can trace a cluster faster and not have to have a whole city under lockdown at varying yo-yoing levels of restriction for three weeks, I think that's worth it. And I say that as someone who is nothing if not a civil libertarian. I'd put my reputation as a civil libertarian up against anyone in this House, and I think actually it is worth balancing the requirements that people have in facing an epidemic in order that we maximise our overall freedom. There is no freedom for people losing their businesses, no freedom for kids missing out on their extra-curricular activities and their school. There's no freedom for people missing out on their mammograms who actually don't know they have breast cancer as a result. Those are the kinds of things that we need to be thinking about, and so I commend these orders, I encourage the Minister to actually get to work in making more of them.

Because here's the thing: one of the key roles of Government in the case of an epidemic, an emergency like this—but, actually, in general—is to be an effective and efficient regulator; to set clear rules of the game that people can find and read and understand so they know what the rules are and they understand what the consequences might be of breaking them. As we've seen in the last few weeks, when the Government doesn't do its job of making the rules clear, confusion ensues and people get locked down.



We don't want that. So the next thing the Government could do, that I would encourage the Minister, is to take these orders and actually publish a comprehensive chart of the circumstances in which people can find themselves and say, "This is what you do if you suspect you're sick" and then the flow chart tells you what happens when you get tested, and what happens to people who're near you. Because, actually, I know people who have been in this situation, and they've found it damn difficult to find out what the answer is. And the next thing they should do is actually show the authority, show the specific order that makes it a requirement to do such and such a thing if you are in a certain circumstance. Because, at the moment, the Government's got all this legislative power to make the rules; they're not making them surgically enough, they're not making them clear, and they're not linking their communications to the rules. Those are all ways the Government could do better.

It's not often that this Government will get encouragement from the ACT Party to make regulations and talk about its regulations. This is actually one of those times. And so, with that, I commend these orders. I hope the Minister will take them seriously and use them better to maximise New Zealanders' overall freedom and welfare. Thank you, Mr Speaker.

Motion agreed to.

Orders approved.

### URGENCY

**Hon CHRIS HIPKINS (Leader of the House):** I move, *That urgency be accorded the passing through the remaining stages of the Climate Change Response (Auction Price) Amendment Bill.*

This bill enables the setting of a confidential reserve price for auctions in the New Zealand emissions trading scheme. It's essential to ensure that the clearing price in these auctions reflects the prevailing secondary market prices to prevent the sale of units significantly below the market price. And the reason that this is being done under urgency is because the first auction takes place on 17 March and this change needs to be in place before that auction happens. With tomorrow being a members' day, there aren't enough sitting days left to progress this bill one stage each day through its remaining stages, and so hence we're having to use urgency to do it. The timescale that we put in place for this bill was designed to enable the maximum time for the select committee to consider it, compared to what would have been available had we brought it back in order to pass it through its remaining stages on a more regular timetable.

A party vote was called for on the question, *That urgency be accorded.*

#### **Ayes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

#### **Noes 43**

New Zealand National 33; ACT New Zealand 10.

Motion agreed to.

**CLIMATE CHANGE RESPONSE (AUCTION PRICE) AMENDMENT BILL****Second Reading**

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Mr Speaker. I present a legislative statement on the Climate Change Response (Auction Price) Amendment Bill.

**DEPUTY SPEAKER:** That legislative statement is published under the authority of the House and can be found on the Parliament website.

**Hon JAMES SHAW:** Thank you, Mr Speaker. I move, *That the Climate Change Response (Auction Price) Amendment Bill be now read a second time.*

E te Māngai, tēnā koe. Tēnā koutou e te Whare. A stable price signal is one of the most effective ways of driving investment in low-carbon technologies. This bill will help to provide that stability by amending the Climate Change Response Act 2002 and the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020 to introduce a minimum acceptable price for emissions trading scheme units sold at auction. To put it simply, if the clearing price at the end of an auction were to fall below the confidential reserve price provided for by this bill, then the units that had been available for purchase will not be sold. Holding them back from sale will help to maintain a minimum unit price that reflects activity in the market up until the point of the auction, which will help to encourage polluters to change behaviour and reduce pollution in line with our domestic and international targets.

We have seen from examples around the world what can happen when a carbon price collapses: the market signal necessary to drive investment in clean technologies ceases to exist, pollution continues, and catastrophic climate change is further locked in. This bill, together with the price control measures that were put in place through the emissions trading scheme (ETS) reform bill last year, will manage the risk of that happening here and help to avoid emission prices falling for the wrong reasons and undermining much-needed low-emissions investments.

Later this month, New Zealand will, for the first time, auction a proportion of units available under the ETS. The exact number of units that will be auctioned in this and the other three auctions that will take place in 2021 has been determined based on the volume of emissions remaining in the emissions budget and after taking into account emissions that sit outside the ETS and emissions covered by units that are freely allocated. Where this has got to for us this year is the expectation that a total of 19 million New Zealand units will be auctioned. These 19 million units will be spread evenly across four scheduled auctions. In each of these auctions, two price-control mechanisms will be in operation: a price floor of \$20 and a cost containment reserve. The latter will be triggered if the auction clearing price comes in at higher than \$50, at which point an additional 7 million New Zealand units will be released into the auctioning system, helping to meet demand and bring the price down.

The purpose of these price-control measures is, in short, to stop the price of units available at auction getting either too low or too high. Exactly where the clearing price falls, within the parameters of the price floor and cost containment reserve, will be determined by a range of other factors, not least of which is the activity on the secondary market. The secondary market is where trades take place between various buyers and sellers, through which we get a sense of market opinion about the current value of a New Zealand unit. Secondary markets are crucial to the functioning of the emissions trading scheme, not least because they provide a means for participants to sell surplus units, which creates a powerful incentive to reduce emissions. Stability, then, like in any other market, is crucial. Its absence risks undermining confidence that the cost of population remains at a certain level, which could all but eliminate the price incentive to reduce

emissions and make it much harder for participants to make long-term investment decisions. This bill will provide for that stability through the introduction of a reserve price to ETS auctions.

In any auction, a reserve price is the lowest price that the seller—in this case, the Government—is willing to accept for the auctioned product. It is a way of protecting the Government from selling units at a level significantly below the prevailing secondary market price, which, in the absence of this bill, could occur as a result of unexpectedly weak competition during the auction, or from bidders seeking to gain from a low clearing price by withholding bids or bidding in a coordinated way at prices significantly below the secondary market price. And so what this bill does is introduce a mechanism for New Zealand units to be held back from sale if, at the end of an auction, the clearing price for units is lower than the reserve price.

Now, it is necessary to note that this is different to a price floor. The price floor supports long-term investment decision-making by setting a level below which the price of a New Zealand unit will never fall. The confidential reserve price, on the other hand, is set for each auction to ensure units are sold at a price that reflects the prevailing market activity. Put simply, if the clearing price were to fall below the confidential reserve price, units would not be sold in that auction. The bill will ensure that this does not jeopardise the predictability of units to be auctioned, because if the reserve price is triggered, unsold units will be rolled over automatically into a later auction. Instead, the reserve price would simply restrict the supply of units at a particular auction and support the stability of the secondary market price, which is where the bulk of ETS trades take place and where market forces combine to help determine the cost of pollution.

The methodology for calculating the confidential reserve price will be set ahead of each auction by the Minister of Climate Change in consultation with the Minister of Finance and any auction monitor. So whilst the auction operator—which in this case will be the New Zealand Stock Exchange and the European Energy Exchange—will be required to use the methodology that Ministers agree, no Minister, now or in the future, will be able to set the actual price themselves. That will be influenced by the market itself.

It has been accepted for decades that a well-designed system for pricing emissions needs to be a central part of any Government's climate change policy framework. Together with the changes that we introduced last year, this bill will help to ensure that we have a clear, transparent, and predictable set of rules for emissions pricing which will drive investment into low-carbon solutions and cut pollution.

Nō reira, tēnā koutou, tēnā koutou, tēnā tātou katoa.

**DEPUTY SPEAKER:** The question is that the motion be agreed to.

**STUART SMITH (National—Kaikōura):** Thank you, Mr Speaker. It is a pleasure to speak on the Climate Change Response (Auction Price) Amendment Bill in this second reading. I said at the time when we moved into urgency for the first reading that we on this side of the House don't think this should have come to the House under urgency. The Minister was advised in plenty of time last year to put a bill up and get it through first reading prior to Christmas, allowing adequate time for industry and interested parties to put well-thought-out submissions together on the bill and give the select committee adequate time to consider those. Unfortunately, that hasn't happened, and we're here again under urgency going through the second reading and through to the end of this process.

This is probably one of the most complex things this Government or, in fact, any Government does is to run an emissions trading scheme (ETS). It has far-reaching consequences, it's complex in nature, and there are lots of opportunities for mistakes—mistakes that we will do our best to try and rectify before they happen through the legislative process, but, given the short period of time, we can't fully be confident that we have ironed

all of those potential errors out. Actually, I'm sure that we will find there's an error in this bill somewhere along the line, but that doesn't mean we shouldn't necessarily support it. But it is an issue, and it's something that this Government must stop doing. You've got to get your act together and line your ducks up and get this legislation going through proper processes. These processes have been set out for a very long time for a very good reason: because mistakes happen. It even happens when we've got a really good process, but this is incredibly complex and we've opened ourselves up to all sorts of problems.

The other thing I think that's important to note here is that, actually, the Labour Party and the Green Party have always been keen on a carbon tax. And actually what we have is an ETS—they're quite different beasts—and my concern, and, in fact, the National Party's concern with this bill and other amendments that are being snuck into the process is we are moving the ETS more and more towards a carbon tax. And just to explore that a bit further, a carbon tax puts a price on carbon, and it's obviously aimed at changing behaviour by that price. In contrast, an emissions trading scheme puts a cap on emissions and the price will be found by the market. They're quite different approaches, but what we're ending up with, with all these changes, is, I fear, some sort of hybrid which is going to end up in the middle and not doing much. We support an ETS, and, in fact, we have done for 20 years. It's a very important and, I think, very good tool. In fact, the climate commission's work in the report that's just been released recently shows that we can get to 85 percent to net zero by having a carbon price of \$35 a tonne—we're at \$40 now. At \$50 a tonne, we get all the way to net zero. That's really important, but what we don't want is policies coming in over the top of the ETS which will blow the cost out needlessly. In fact, the Climate Change Commission's own work shows that they believe the New Zealand unit price will be \$250 at the end of it—five times what it needs to be because of the expensive policies they are recommending.

So it's important we get this auction system right; it's important that it works well. But policies like the oil and gas ban, for example, have simply caused a constraint on the ETS' operation, because now we're burning—well, we imported a million tonnes of coal last year because we don't have the gas resources. In other countries, emissions trading schemes have led a swap-out from coal or a substitution with gas—half the emissions; that's what the ETS actually does. It works really well, but we have to think about all these policies that we bring in and ensure that they don't work against the ETS and foist needless costs on New Zealanders. And if anyone's been checking the spot prices recently in the electricity market, it's up to \$500 a megawatt hour. That is the market working, but it's being pushed that way because of needless policies that have very little basis in fact—it's virtue signalling with an A+, which is something the Government's very good at. What we want is real, positive policies that achieve what they set out to do.

The process—limited as it was—was useful. We had some good submissions on the bill. In fact, I think the committee worked very constructively to try and get to the best place with this bill. And the changes that were made were minor but important changes, I think, like requiring the Minister to not only consult with the Minister of Finance, but also to consult with the auction operator.

I'm going to introduce a Supplementary Order Paper (SOP) which will require the Minister to consult with the leaders of the parties not in Government. In the spirit of how the zero carbon bill came into being, in that it was a cross-party, united approach to what is a very long-term problem, and it is a very long-term issue that should not be one Government's baby; it should be owned by everyone. This is an attempt to do that, because I believe, actually, this is pretty close to setting a tax. And going right back to our bill of rights, it's Parliament that sets taxes, not Ministers. It should therefore be that the Minister should consult with the leaders of the parties not in Government, and that would maintain the confidentiality of the reserve price, and it would also maintain the

spirit in which the zero carbon bill was originally passed and all of the climate legislation that has been supported across the House.

And I know that the Minister—his *raison d'être*, really, is to make sure that this endures. I'm appealing to the Minister to support my SOP, which will ensure that that does endure past a single Government, because this is going to get tough. Make no mistake about it, we will be putting prices and costs on Kiwis that they don't expect that will be coming as a result of this. We have to lower emissions—I accept that—but to do that, we have to be sure that we are doing the best by them. We're not forcing costs on them that they don't need. We're not forcing costs on them that are unnecessary. And we have to have the confidence across this House that the Minister is doing that and that this Parliament is right behind him, not divided behind him. And that is the purpose of my SOP. So I'm sure that you'll give that very good consideration, Minister.

Unfortunately, I didn't have the opportunity prior to speaking on this bill to run that past you. It's been quite—we are in urgency after all. And so I thought I would raise it now, but I will come and discuss it with you shortly, but I would be very surprised if other parties actually opposed that SOP. And if they do, I'd be very interested to hear what their arguments are, because I can't see a sound one from where I'm standing. Anyway, maybe I would say that.

But the bill, I think, is in pretty good shape, but we also have an SOP coming from my colleague Erica Stanford, which is a very good one as well. We have been constructive on this all the way through the process, and I'd also like to thank Eugenie Sage, the chair of the select committee, who I think did a very good job chairing and shepherding that through under what was a lot of time pressure, actually, and a good demonstration of why we should not do this unless we absolutely have to. So I appeal to the Minister for future reference, because I'm sure we will have more climate-related bills in the future, that we have far more warning and that we can work collaboratively ahead of time, rather than things being foisted on us as we are today. So with that, we support this bill through the second reading and look forward to the committee of the whole House stage. Thank you.

**RACHEL BROOKING (Labour):** Thank you, Madam Speaker. It is with great pleasure that I rise to speak—my first time speaking on a bill—and it's to do with climate change, something that I care very deeply about. Of course, the broader emissions trading scheme is all through the Climate Change Response Act, and we're here today talking about the Climate Change Response (Auction Price) Amendment Bill and the setting of a reserve price that is confidential.

I'm on the Environment Committee and agree that Eugenie Sage did a great job in chairing us, hearing submissions, and having some very good conversations about this bill and making the amendments that my colleague just referred to. I think the most important thing about this is to note, as was mentioned by the Minister, that we want the primary market, this auction process, and the secondary market to match up. So there is some wording in the bill about how prices should not be significantly below the prices of New Zealand units sold at the time in other ways on the secondary markets, so that the sales by auction do not unduly affect secondary markets. That is the point of the bill, and that is why I am happy to support it. Thank you.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Madam Speaker. It's ironic—deeply ironic—that we are here under urgency just a week or two away from the first auction to take place under the principal Act, and we're amending that principal Act under urgency. I find it somewhat bizarre that this amendment legislation will come into effect on 15 March, just two days ahead of the first scheduled auction on 17 March. I can remember in my first reading speech advising the Minister to beware of the ides of March—beware of the ides of March—because, actually, we shouldn't be here doing this under urgency in the way that we have been. In a largely uncharacteristic way, this

Minister, who is usually across the detail of his portfolio area, has let this relatively minor but quite important stopgap safety-net measure slip through his scrutiny.

This legislation, the primary legislation, first was debated by this House a year or more ago, and then back in March of 2020, a full year ago, the Minister took a paper to a Cabinet committee and advised his Cabinet colleagues that the risk was minimal—a risk did exist; it was minimal—and that no action need be taken at this stage. That Cabinet committee actually approved the prospect and the process for making an amendment, but only when the primary Act is to be next fully amended. They didn't anticipate an under-urgency piece of sticking-plaster legislation like this that would have to be rammed through the House, under urgency, literally a few days before the first auction.

Then something changed, because, that recommendation having been made—the Minister having said that there was a risk but it was a low risk and they had identified it and nothing urgent needed to be done—we find ourselves, in the first sitting weeks of this calendar year, suddenly thrust into urgency, and now the risk is sufficiently high that a change needs to be made. So a truncated, shortened select committee process occurred. There were only 10 submissions. A couple of them were—and I don't mean to be insulting to the submitters, but a couple of them were quite wide of the mark in terms of the scope of the bill. They were interesting submissions, but they didn't really go to the heart of the bill. The other eight or so submissions were well considered, and they came from businesses and players in the market place who have an interest in seeing the system operate properly and freely and openly, in the way that it is designed to do.

The problem that really came before the select committee was that there was, I think, a general consensus that the legislation was required. Nobody could really understand why it hadn't been attended to previously. There was some consideration—and, in fact, the Minister made it clear in a media comment to Newsroom that it arose because of some kind of drafting error. He said that Cabinet agreed to the confidential reserve price, but for some reason—and he says “I wouldn't want to put anyone wrong with the specifics but I think there was an omission in the way that the drafting instructions got to the Parliamentary Counsel Office (PCO). I don't think PCO made an error in drafting it because they were drafting according to the instructions that they had received, but there was something missing there.”

So the problem that really arose was something slipped through the process, the scrutiny process, in terms of giving instructions to Parliamentary Counsel Office. We know, as members of this House, that the good people in Parliamentary Counsel Office do a superb job, a remarkable job, but they only do the job that they are instructed to do. If a Minister gives them instructions that are not full and complete and detailed, well, they don't have extra-sensory perception, they don't know what's in the Minister's mind, and they draft that legislation according to the instructions that have been presented and given to them. In this case, it's very clear now that a Minister who is normally across the detail of his portfolio, in this case, let something slip through, and that's why we are in urgency this afternoon and have had a truncated, shortened, and well-chaired select committee process but still a difficult one in terms of trying to get everything all in place.

One of the issues that became clear as this legislation was going through its first reading—there was a section when the Minister gave instructions to the select committee in terms of what they were to consider and their timetable and all those sorts of things. Then he let something slip which worried me greatly, and I made mention of it at the time, but I want to raise it again, having had the select committee process, because I think it's important that it be acknowledged and recorded in the House. In his instruction to the committee, the Minister, James Shaw, said, amongst other things, this. He said that, and I quote, “These changes were first signalled to market participants more than seven weeks ago.”

What that means is that there were a group of people, organisations, businesses that were privy to this legislation coming to the House prior to the general public and prior to this House being aware of it. They were tipped off. They were given prior notice, they were given advance notice, in a way that I don't think was appropriate. Then, at select committee, when I asked officials to provide a list of who the Minister may have been referring to in his speech when he said that these changes were first signalled to market participants more than seven weeks ago—and these, remember, would have been people who had time to prepare submissions, who had advance notice, time to get themselves ready, and notice that other, ordinary New Zealand citizens didn't have. I don't think that's good enough.

What we found was that when officials were questioned and the Minister was questioned at select committee, we found, actually, that a list was not going to be made available. But somehow readers and subscribers to a very credible and worthy publication called *Carbon News*—but it is a niche publication and very much focused on the intricacies and the weeds of the day-to-day operation of our emissions trading scheme system, of climate change matters and what have you. As I say, it's a credible and worthy publication but a niche publication none the less. The readers of that publication were the ones who were given notice. So if you weren't a reader of *Carbon News*, you didn't have notice that this legislation was coming to the House. For people who may have wanted to have a say and have a participatory role in this select committee process, they were excluded until the time that the legislation came to the House, under urgency. I simply don't think that that, in terms of process, is good or right or correct. As I say, this is a black mark against a Minister who normally is much better than that in terms of process and respect for the process of this House and also for the process of select committees.

At select committee, there were a couple of changes made, and I think they were good changes. One of them was to do with the way that the methodology for setting the confidential reserve price is made. The National Party supports the changes that were made at select committee, and the Minister will be now required to—instead of just consulting with the Minister of Finance, the Minister will also have to consult with the auction monitor to provide a much greater level of independence when it comes to setting the confidential reserve price. Effectively, it is a secret price known only to the Minister. That is, I think, a good step. I think that enhances the legislation, and I think that is helpful.

My colleague Stuart Smith has already indicated that we are supporting this legislation through its second reading. We've got a couple of Supplementary Order Papers that we will want to debate and have discussed and, hopefully, supported when the committee of the whole House considers this legislation in the not-too-distant future. At that stage, we will have a think about where we've landed and what we've got and where we go from here. So thank you very much for the opportunity to participate so far, Madam Speaker.

**Hon MICHAEL WOOD (Minister of Transport):** It was Mark Twain who once said, "I didn't have time to write a short letter, so I wrote a long one instead." That's what we've just had from the member whose resumed his seat, the Hon Scott Simpson, because it was a 10-minute speech in which he largely acknowledged that this is an uncontroversial, technical piece of legislation that pretty much everyone in the House agrees with. I think that is the nature of the debate that is ahead of us.

Pleasingly, there seems to be broad consensus that this is a sensible tweak to the legislation that's needed. There is a broad consensus across the House that our climate change response legislation is an important part of our climate change response architecture, that setting a price through a market mechanism is important, that it aligns strongly with the processes that we have set up through the independent Climate Change Commission and the carbon budgeting processes, and that the ability to have a confidential reserve price is an important part of that process.

This piece of legislation simply enables the Minister concerned to ensure that that reserve price is in place. It does seem to have the broad acceptance of the House. I think it's important that we proceed with it so that we can get on with the business of tackling climate change, one of the greatest challenges of our times. I commend the bill to the House.

**TANGI UTIKERE (Labour—Palmerston North):** Thank you, Madam Speaker. It's a pleasure to take a call on the second reading of the Climate Change Response (Auction Price) Amendment Bill, and a pleasure also to sit on the Environment Committee that heard from submitters. There were 21 submissions on this particular bill, and we heard oral evidence from four. I agree with colleagues thus far in that the Hon Eugenie Sage chaired that process extremely well, and agree with other colleagues in that colleagues were very constructive in terms of progressing this piece of legislation. Can I also just note my thanks to the offices that were involved, given the time frames, as well.

My colleague who has just spoken, the Hon Michael Wood, is quite right. This is a technical bill, but it is an extremely important one in ensuring that the process around auction for the sale of units within our country's emissions trading scheme system has value, has currency, but also, actually, that the process itself has absolute integrity.

The bill, from its introduction, remains in two parts. The first is around permitting the provision of regulations to achieve what it's set out to do, and the second part, essentially, creates or makes the regulations by amending the regulations with immediate effect. I want to, just very briefly, acknowledge the Regulations Review Committee, as well, for the work that it had done in bringing to the committee's attention some work that has resulted in what's currently before the House.

This bill, as has been said, enables the Minister to set a methodology that will, effectively, calculate the confidential reserve price. But in doing so, there is a level of accountability with the Minister as well, and the provisions within the bill as it's reported identify that. So it is a good piece of legislation and I commend it to the House.

**SIMON COURT (ACT):** Thank you, Madam Speaker. The ACT Party was opposed to this bill at select committee because we believe that, essentially, the emissions trading scheme (ETS) as it's written is broken. A market system like the ETS can establish controls on price or the quantity of units, but what the Government has set out to do through the legislative system is to do both. That is why it is broken, and that is why ACT would not support this at select committee.

There were a number of issues discussed at the Environment Committee that were raised by submitters, some of whom may have had more warning than others, but which were very real concerns and risks. They were concerned, firstly, that the bill was brought to the House with urgency and so close to the initial auction date, on 17 March. That itself caused uncertainty from market participants who had been prepared to engage in the market based on the original legislation, and now there was this new mechanism, a confidential reserve price, being introduced.

Some of the submitters said that it may well be appropriate to have a confidential reserve price, but in that case why do you need a floor price, because you really only need one. If the Government has a mechanism to set out its price intentions or the cost of a New Zealand Unit, why have both?

Other submitters pointed out that if you're going to have a confidential reserve price and you're going to have an auction process where people bid, then those bidders who bid above the confidential reserve price—as you would expect—should be able to take the units away that they had bid for above the reserve price. They pointed out that there's actually a design flaw with the legislation. It may be designed that way on purpose, but they considered it a design flaw, none the less. That flaw is that if the number of auctions that are put up—and, in this case, it's going to be 4.75 million units every three months.



If the prices bid for those units are above that price but one bidder bids for a fraction of those units remaining below the reserve price, then no one will get to take any units home.

Submitters raised that at select committee and we raised that with officials, and they came back with a completely unsatisfactory response. So the bill we see here today at second reading includes some of the amendments proposed by officials, which include to refer a failed auction—because that is a real risk—back to the Minister and to the auction manager for review, to review the methodology. But that doesn't address the real risk that the submitters raised, and that risk was that in a constrained market—and the secondary market is constrained—we heard that, typically, a few hundred thousand units are traded at a time.

The Government is proposing to release 4.75 million units at a time. Because the secondary market is constrained, if the Government's primary auction fails, there could be a rush to the secondary market by those businesses which have obligations, because what the emissions trading scheme does and the zero carbon Act does is it puts obligations on businesses that emit carbon as part of their business to have New Zealand Units—carbon credits—and then to hand them in. That's their obligation: to pay for their emissions, and then to hand those certificates over to the Government at the end of the financial year. If they can't get the units that they need, then there's a risk that they could have to scramble to the secondary market. There could be price spikes, or there simply won't be enough units available for a business to meet its obligations. You might say, "Well, this is something that they should plan for." Well, they have been planning for it. They have been planning since the original bill was passed, and now what we see is this amendment bill—the auction price amendment bill—being brought to the House under urgency to add in this new control, this confidential reserve price.

So submitters said that the confidential reserve price wasn't necessary. Others said, "If you're going to have it, for goodness' sake, let us take the New Zealand Units that we bid for"—that are above the reserve—"and let us take them home at the end of the auction. But please, please avoid the risk of having an auction tank and all of those units drop back into the Government's bucket, because that is a risk that would introduce a significant amount of uncertainty into the market place system."

The ACT Party believes that an emissions trading scheme with a market-based system is the right system to manage our emissions. It's a system that allows New Zealand businesses who have emissions to offset their emissions by buying New Zealand Units within the New Zealand local context from those businesses which store carbon and capture carbon, like foresters.

There is still a flaw to the New Zealand ETS. It is a flaw that even the Climate Change Commission has identified in their report, and that is that New Zealand businesses cannot possibly, because of our current emissions path—and that includes the massive increase in the amount of coal being burnt to generate electricity in New Zealand, which is up 40 percent in the past two years—access enough New Zealand Units within the New Zealand market to satisfy their obligations. So even the Climate Change Commission recognises this. It has suggested in one of its policy options for the Government to allow New Zealand businesses to buy emissions units from overseas, because it's quite likely that it's much cheaper for New Zealand businesses to manage their climate obligations and to offset their emissions in other jurisdictions, because, after all, climate change is a global problem. Carbon dioxide emitted in New Zealand is no different to carbon dioxide emitted in South America or Europe or North America.

So for that reason the ACT Party believes that New Zealand businesses should have access to credits that are available on international markets from other emissions trading schemes, whether that's California or Europe or anywhere that businesses are sequestering carbon and capturing carbon, and can then offer those units to the market. If

that was the case, it's quite likely that the price would be much less than what we're currently seeing on the New Zealand market. We're seeing prices of \$38 or \$39 on the secondary market. The Government has a fixed-price offer for businesses, currently, at \$35 per New Zealand Unit so that they can buy credits for last year's obligations, and yet what we see in other markets is that it's actually possible to mitigate their emissions for much lower costs. It may be even \$5 or \$10 per tonne, as opposed to the \$40 to \$50 that we're hearing about in New Zealand.

If New Zealand businesses were able to mitigate their emissions at much lower cost, then that would also reduce the risk that these businesses would have to leave New Zealand. We're talking about cement, we're talking about steel, we're talking about manufacturing businesses, and even businesses that refine chemicals and other products here that we do in an environmentally friendly way that we then export to the rest of the world, because I would trust New Zealand scientists and engineers to manage our environmental effects here more than I would some of those less-developed countries where we know these industries—these petrochemical and manufacturing industries—will simply relocate to if the cost of compliance in New Zealand is too high.

But the ACT Party recognises that if we're to have a fully functioning ETS, we must, when the opportunity arises, propose some mechanisms that actually make it better, so we have tabled an amendment—which we're looking forward to debating at the committee stage—which actually means that when an auction takes place, any bids above the confidential reserve price for New Zealand Units will be successful. So we want to address the risk that submitters raised, which is that in good faith, they might bid above the reserve, and yet not be able to secure the credits that they're seeking to fulfil their obligations. So the ACT Party has proposed an amendment on Supplementary Order Paper 15, which, effectively, determines that should any units be bid for above the clearing price, they should be available to the bidders.

So on that basis, we oppose this second reading, but we look forward to debating this further at committee stage. Thank you.

**TĀMATI COFFEY (Labour):** Madam Speaker, thank you for allowing me to take a short call on this bill, the Climate Change Response (Auction Price) Amendment Bill. We have sat through it as the Environment Committee, we've taken the submission hearings, we've digested it—we've had some good, robust debate in our committee about some of the issues that were brought forward. Of the people that made submissions, we got 20 submissions in, half of them were from individuals, the remainder of submissions were from the business sector, from NGOs, and one from a family trust. But one thing that I'd like to point out was that we didn't get huge engagement from iwi or Māori organisations in this, and yet iwi and Māori organisations are going to be affected by this in the long run. The big picture of climate change is still the overarching goal that we're looking to tackle with this particular bill, it does have a role to play, and it has an urgent role to play as well, which is why we're dealing with this in urgency through the House.

One of the previous members from the committee also raised the point that, actually, there is a commencement date, it is very imminent, it's not too far away—it's just two days before the first New Zealand emissions trading scheme (ETS) auction is scheduled on 17 March. So that is the pressing need for this urgency. It's why we're dealing with it as a committee and we've moved very quickly through this process. But, actually, time is of the essence on this. We want to bring credibility to New Zealand's participation in the ETS scheme, and for that reason, I commend this bill to the House.

**ERICA STANFORD (National—East Coast Bays):** Thank you, Madam Speaker. Well, the brevity and the repetitiveness of the Government's backbenchers', and even Ministers', speeches do indicate that while they may have read their debate notes, they do not understand the complexities of this bill. It is not straightforward and it is not

simple. It's evidenced by the fact that the Minister of Climate Change knew about this potential problem a year ago and thought for the best part of last year that, actually, it wasn't a problem. And here we find ourselves, a week or so out from the very first auction, tinkering around with the rules of that auction. In fact, it looks like this bill will be potentially passed two days before that first auction. It is a highly complex bill. There are a number of things that we need to traverse, which we haven't had time for, given the urgent nature of this debate.

The Minister would have been told—he would have been told—by his advisers, or maybe even Treasury, that any time you interfere with an auction, he will increase the risk more than he will take risk away. The more that we play with the rules of an auction, the more we will find ourselves in serious difficulty. That's why I have tabled an amendment in my name that we will debate later to review this confidential price mechanism, to ensure that it is actually working, because we haven't had enough time in the very short period of time that we've had to debate this bill to make sure that we properly consider the risk. It is my great concern that there will be errors, there will be mistakes, and we actually need to come back and make sure that this has been dealt with properly.

It has long been the National Party's position for many years that the primary policy tool for dealing with climate change should be a well-designed, pure emissions trading scheme (ETS). It was the National Government in 2010 that introduced the emissions trading scheme. We knew it was the most effective and efficient tool for reducing our emissions and for fulfilling our climate change obligations. It was this ETS that enabled the National Party to lift our renewable energy production from 65 percent to 85 percent during our time in office, a trend that I would note has stalled and probably actually gone backwards under this, you know, greenest Government ever. But it is our view that the emissions trading scheme is the most effective tool.

It is important to make a distinction between the emissions trading scheme, a pure emissions trading scheme, and a carbon tax. An emissions trading scheme sets the amount of carbon that can be released and lets the market decide the price; whereas, a simple carbon tax just sets the price and doesn't worry about how many emissions we're emitting. Now, it's really important to make this distinction, because over time with this Government, while we've been tinkering around, we've been moving closer and closer from a pure ETS to a carbon tax. With the setting of a price floor, a price ceiling, and now a secret reserve at auction, we are moving further and further away from this pure emissions trading scheme, where the price is left to the market, and closer and closer to a tax—which, let's face it, is what the Greens and Labour actually always wanted. So they can't help themselves at every possible moment to tinker with the ETS to make it look more and more like a tax. The reason that is significant is because there is a long-established principle that goes all the way back to the Bill of Rights Act, that this Parliament has the power to tax—not the Government and not the climate change Minister.

The scale of this ETS revenue that we're talking about is in the hundreds of millions of dollars. It's not chunk change; this is a lot of money that we're talking about. If you change the ETS to make it look more like a tax that is involving such a massive amount of revenue, then it is our view that there must be more checks and balances on those pricing tools—in this case, the formula that the Minister uses to, effectively, set the price at auction. So we'll introduce a tabled amendment to flesh this out and to have a look at this, and we will debate it later on.

The truth is that the emissions trading scheme will put people's power bills up, it will put the price of fuel up, it involves hundreds of millions of dollars in revenue, and it is no different than an excise tax which requires the validation of this Parliament—or, at the

very least, some more checks and balances across the House. So while we commend the bill to the House at the moment, we look forward to debating those tabled amendments.

**ANAHILA KANONGATA'A-SUISUIKI (Labour):** Thank you, Madam Speaker. It's an honour and a privilege to stand here to contribute to the second reading of the Climate Change Response (Auction Price) Amendment Bill. It would be remiss of me not to address the hot air coming from the other side, because didn't National sign us up to the Paris Agreement but had no plan? They signed us up—"Yep, we'll do that; New Zealand will do that."—but there was no plan. So it is my privilege to make a very brief contribution to this Climate Change Response (Auction Price) Amendment Bill, because, as one of the speakers from the other side said, this should be owned by everybody. It should be owned by everybody because what it does is bring in fairness into this piece of legislation. It gives the Minister the authority to set a methodology for this confidential reserve price—it gives the Minister that. And, on that note, I want the House to hurry up and do that, and I commend the bill to the House. Malo.

**Dr Deborah Russell:** Madam Speaker?

**Hon Dr Nick Smith:** Madam Speaker?

**ASSISTANT SPEAKER (Hon Jenny Salesa):** I call Dr Deborah—

**Hon Members:** Russell.

**ASSISTANT SPEAKER (Hon Jenny Salesa):** Sorry. I call the Hon Nick Smith.

**Hon Dr NICK SMITH (National):** Thank you, Madam Speaker. It's a pleasure—

**Dr Deborah Russell:** No, no. Point of order, Madam Speaker. I do believe it was the Labour Party call.

**ASSISTANT SPEAKER (Hon Jenny Salesa):** I'm sorry, the Hon Dr Nick Smith, Deborah Russell is right. I call Dr Deborah Russell.

**Hon MICHAEL WOODHOUSE (National):** Point of order. Madam Speaker. It is entirely your prerogative to select who to speak to it, but the previous speaker appeared to take the second five-minute slot of call No. 9, which is normally reserved for the Māori Party. The clock was set at five minutes for that purpose. Naturally, she didn't need it all. But I just want clarification of whether we are now on call No. 9 or call No. 10, by your reckoning.

**ASSISTANT SPEAKER (Hon Jenny Salesa):** We're now on call No. 10. The Hon Dr Deborah Russell.

**Dr DEBORAH RUSSELL (Labour—New Lynn):** Thank you, Madam Speaker. Thank you for the opportunity to take this call. I just want to address something that was raised by one of the previous speakers around what would happen if the initial auction failed. Now, this is a concern that was raised by various submitters to the bill. They felt that if insufficient bids were made at a price above this secret reserve price, then the entire auction would fail, and it would create a number of problems. One of the problems was that if people were pretty keen to get hold of some emissions units, they might not be able to succeed, and then they would be driven to the secondary market in order to perhaps pay an even higher price set there. I would like to suggest that if people are very aware that they need some units and are, as it were, desperate to get some, they might already have been participating in the secondary market anyway, and in that case, in ordinary market conditions, they would be perhaps putting in a higher bid at the first auction to ensure that they do get hold of the credits they need. That's the first protection there—just an ordinary functioning of the market.

The second protection is that after this discussion at the Environment Committee, there was an agreement that perhaps it was a theoretical concern around the operating of the market, and that in particular this could be exposed during the first auction process, which is happening quite soon. So clause 15AA has been inserted into the bill, and what it does is it says that the Minister must review the methodology. So if that auction or if certain

auctions fail, then the methodology must be reviewed to have a look at the way the methodology could be improved. So that is the second protection against a particular auction failing.

The third protection for those people who—and this has happened in the event that the people have not gone to the secondary market in the first place to acquire these units which they allegedly desperately need, and the emissions trading scheme auction has failed. Then the third protection is that for that first auction, there is still a capacity to buy units at a fixed price of \$35 a unit. So it can be done. There is a protection in there as well for those people.

So there is a series of protections available, should this theoretical concern that an auction fail due to the reserve price being set at the wrong level. The select committee has done its job and has come up with an effective way to ensure that the auctions ought to succeed; that if they don't, there is a process by which they can be reviewed. All in all, it should work very effectively. As the previous speaker said, this is a necessary process. It needs to be done. We're getting it under way. There are protections built into the bill, built into the auction process. With that, I commend the bill to the House.

**Hon Dr NICK SMITH (National):** This climate change amendment bill, dealing with a very complex detail of the emissions trading scheme being dealt with in urgency, actually does show a pretty ramshackle process around the most important policy instrument for dealing with the challenge of climate change. We need to be reminded that this bill was only introduced a month ago and is being rammed through the Parliament tonight under urgency for an auction involving hundreds of millions of dollars to take place next week. I don't think there's a single member of this House that can pretend that is competent and good government.

Now, there was going to be an emissions trading bill that went through, introduced in 2019 and passed in 2020. And when that bill was introduced, we were told it was for the purpose of being able to establish the rules around which New Zealand emissions trading scheme (ETS) units would be able to be auctioned. So the question has got to be asked: why is Parliament today, under urgency, rewriting the rules that were written more than a year ago? And the answer is simple: there was a stuff up, there was a mistake. I wouldn't have heard it from any of the members opposite, but actually this is just another one of—whether you are talking KiwiBuild or light rail or whether it's other issues like mental health, this is another area in which there has been a gulf between the Government's rhetoric and its actions.

Now, I'm a little bit cautious in this area around urgency and amendments to the emissions trading scheme, because I've seen it all go to custard before. Helen Clark, during the last Labour Government, declared that climate change was the “nuclear moment” of her generation; and by the time we got to 2008 and emissions had increased by 12 percent, they decided to rush—in a period of three weeks—400 pages of law for the emissions trading scheme. We were assured, as a Parliament, that that law—

**Hon Dr David Clark:** I thought it was 2010? That's what Erica said.

**Hon Dr NICK SMITH:** I'll come to that very point, because it's critical, and I would like to educate the Minister, Dr Clark, as to what took place. Because what happened was that Labour felt so naked after being in Government for nine years, and emissions were continuing to grow, that in the last dying moments of the Clark Government they rushed through botched legislation on the emissions trading scheme. And one of the key flaws that were made in that legislation was quite loose provisions around international units that were able to flow into the ETS that resulted in hundreds of millions of dollars of mistakes in the way in which that ETS was operated, and a mistake that National had to fix in Government. And, for Dr Clark's benefit, the New Zealand emissions trading scheme came into effect on 1 July 2010. And for a matter of historic record, that was when there was a John Key Government.

**Hon Dr David Clark:** Labour did the work. National took the cap off.

**Hon Dr NICK SMITH:** Well, Mr Clark says that “Labour did the work”; let me remind him of the actual results. During the Clark Government, emissions went up by 12 percent. During the nine years of the Key Government, it’s the first Government in the history of New Zealand to actually see emissions reduce—not by as much as we would like, but actually it was a stunning achievement that the economy grew by 25 percent, and emissions went marginally down. I would love the Minister of Climate Change, maybe one of the Green MPs, or maybe one of the Labour MPs to be up front with New Zealand and say, 3½ years after being the Government, how much have New Zealand’s greenhouse gases reduced in that 3½ years. Is there any member that would be able to answer that? Maybe the Minister? How much, since you’ve declared New Zealand as being in a climate change emergency, have New Zealand’s emissions gone down?

The silence is deafening. Because it’s easy to declare an emergency, it’s easy to give big, bold speeches all around the world; the hard yards is getting emissions down. The hard yards is doing things like what National did—500,000 Kiwi homes insulated; good growth in incentives for electric vehicles; programmes like the Kigali agreement and the Paris Agreement, of which we worked very hard internationally to achieve. That’s where I do challenge members like Dr Clark, who will stand in this House and say, “Where was National’s programme? Where was National’s actions?” They were there and we were making progress.

So the question I would love a member of this House to answer is this: why was this issue not dealt with in the ETS amendment bill that was passed for auctioning in 2020? Now, the Minister can blame his officials, he can blame parliamentary counsel. But let me remind him of something: responsibility rests with the Minister. The reason that we are under urgency, ramming through very complex legislation around this issue of a confidential base price for emissions units in the emissions trading scheme, is because the Government stuffed up. Can’t dress it up any other way—the Government got it wrong.

I note the statement was that the legislation that was passed last year had made an error in the drafting process and not carried through the Cabinet decisions into the legislation. What does it say about the degree to which the Government is on top of its legislative programme, that it passes laws for an auction and the legislation does not contain what was in the Cabinet minute? Having done over 100 bills in my time as a Minister, I would be embarrassed if the legislation did not match the decisions that were made in Cabinet, and we do deserve an explanation on that point. I fear that the auction next week—only to be conducted a few days after we pass this law, has got a high level of risk to both the effectiveness of climate change policy as well as to the Government’s financial position.

I do share the colleagues’—both Stuart Smith and Erica Stanford’s—concerns that the Government is confused around its climate change policy and around its financial instrument as to whether it really is committed to an emissions trading scheme, or whether it continues to amend the scheme to make it more and more like a carbon tax. The reason members on our side of the House are cautious of amendments of that sort is we want real progress on climate change, but we do not want to create a legislative framework which makes the ETS a backdoor tax.

We all know on this side of the House that this Government is heading for extreme fiscal pressures—that is, that they are doing very large levels of spending, that the deficits are growing, and that the potential for them to use the auctioning scheme of the ETS as a backdoor method for getting funds out of both business and households is not what National supports. National supports a genuine emissions trading scheme that is set with the parameters of ensuring that New Zealand meets its Paris and other international agreements and obligations around climate change. We want that done efficiently, we want that done in a way that minimises the cost, we want that done in a way that

maximises the use of markets, and we worry that with every complex tinker that is done to the emissions trading scheme—particularly those that drift it more towards looking like a carbon tax—that we actually are compromising its effectiveness.

So I'll again say: this bill is a product of mistakes by the Government. If it was not, it would have been dealt with properly, when we set up the auctioning scheme in the amendments with the climate change legislation that were passed in June of last year. It is being done in a rushed process, and on three previous occasions when we have seen Labour Governments rush climate change legislation, it has had expensive mistakes. That is why National says that we should not be rushing legislation of this sort. There is no area of public policy that is as complicated as climate change, added with the complexity of the emissions trading scheme; it is an area where real care is needed. We are not satisfied that the Government has all of the details right; there are risks for the integrity of climate policy, as well as to the Treasury, as a consequence of this bill.

**JO LUXTON (Labour—Rangitata):** Thank you, Mr Speaker. I have the pleasure to rise to take a very short call on the Climate Change Response (Auction Price) Amendment Bill, and the reason that I am going to take a short call on this is because my colleagues on this side of the House have articulated extremely clearly the importance of this bill and the reason for bringing it to the House today.

We've started to tackle the long-term challenges that Aotearoa New Zealand faces, and we know that climate change is one of the biggest challenges that we face right now. The emissions trading scheme (ETS) is a key tool to tackle climate change. So, basically, this bill is just technical, and it simply enacts the original policy intent for the ETS auctioning rules. And, for that purpose, I commend this bill to the House.

**DEPUTY SPEAKER:** The question is, *That the amendments recommended by the Environment Committee by majority be agreed to.*

A party vote was called for on the question, *That the amendments be agreed to.*

**Ayes 110**

New Zealand Labour 65; New Zealand National 33; Green Party of Aotearoa New Zealand 10; Te Paati Māori 2.

**Noes 10**

ACT New Zealand 10.

Amendments agreed to.

A party vote was called for on the question, *That the Climate Change Response (Auction Price) Amendment Bill be now read a second time.*

**Ayes 110**

New Zealand Labour 65; New Zealand National 33; Green Party of Aotearoa New Zealand 10; Te Paati Māori 2.

**Noes 10**

ACT New Zealand 10.

Motion agreed to.

Bill read a second time.

**DEPUTY SPEAKER:** This bill is set down for committee stage forthwith. I declare the House in committee for consideration of the Climate Change Response (Auction Price) Amendment Bill.

## In Committee

### Part 1 Amendments to principal Act

**CHAIRPERSON (Hon Jenny Salesa):** I declare the House in committee for consideration of the Climate Change Response (Auction Price) Amendment Bill. Members, this stage is a chance for an examination of the detail of the bill and the effects of its provisions. It is also an opportunity for engaging in discussions with Ministers by taking short calls and asking questions.

We come first to the debate on Part 1. This is the debate on amendments to the principal Act, the Climate Change Response Act 2002. The question is that Part 1 stand part.

**ERICA STANFORD (National—East Coast Bays):** Thank you, Madam Chair. I would like to speak to my tabled amendment, adding new clause 5A. That tabled amendment requires that the Minister, after the four auctions to sell the New Zealand units, establish an independent review of this confidential reserve price mechanism provided in regulations made under this Act, with the review report to be delivered within six months of commissioning by the Minister and tabled in the House of Representatives.

So the reason for this is because I am, as we all are, deeply concerned about the process that we have gone through for this bill—not only for this bill but, actually, for the bill last year where we set the rules around the auctioning—and also around the Minister’s actions and what he knew and didn’t know and when he was told that this might be an issue. We’ve seen in the Cabinet papers that the Minister, in fact, was advised that this could have potential problems and financial problems for the Crown. But he, at that time early last year, said that he didn’t think it was a problem, and nothing happened. So, I guess, in his response to my tabled amendment, I would like for him to delve into why he didn’t think that this was a problem all of last year, when we went through the bill in June, and then all the way to the end of the year. We are left in a situation where we are debating a bill that is making changes to an auction that’s happening in just over a week, as we mentioned earlier. This is highly, highly complex legislation.

I’m really keen to delve into what the Minister knew, when he knew it, and what his thinking was—especially around the very early months of last year when he stated that he didn’t think that we needed to set a reserve price, because clearly he had that thought for a very long time—and when did he change his mind—exactly when—and also, not only when did he change his mind but when did he decide to bring this bill to the House and why did he not bring it much earlier. We’re in a position now dealing with a highly complex bill that’s brought up a number of questions—and some of which we’ll talk about in later tabled amendments—that are highly complex in nature and that throw up all of these questions that we’re now asking at the very last hour that, despite what the Government speakers have said today, are actually very complex and need answering.

We are concerned about whether or not the Minister is, in effect, setting a tax. We are concerned about the fact that he is tinkering with an auction, when, I’m sure, as I said in my last speech at the second reading, he would have been told by his advisers, or possibly even Treasury, that it’s not a good idea to tinker with the rules of an auction, because you actually increase the risk. Actually, I’d be quite keen to hear from the Minister as to whether or not he did receive that advice very early on last year, which is, in fact, why he thought for such a very long time that a reserve wasn’t, in fact, needed. What advice was he given to not make any changes until now? You know, which officials and what did they tell him? And did they, in fact, tell him that, by tinkering with the auction, he was, in fact, going to be increasing the risk? As I said earlier, the more that we tinker around with these rules, the more we’re going to find ourselves in difficulty, which is why I have tabled this amendment which requires an independent review of exactly what we’re putting in place today, potentially, to make sure that we are not, in fact, increasing the



risk and we've not made mistakes and that we get this looked at comprehensively to make sure that we are actually doing the right thing.

So the questions for the Minister are: why did he not make any changes until now? Why did he originally think that there was no need for a reserve price? What advice did he get from his officials, or maybe even Treasury, around the risks of tinkering? And why are we just fixing this at the very last minute? It would be appreciated if he would be able to respond.

**Hon JAMES SHAW (Minister of Climate Change):** I thank the member for her questions. It's actually incorrect to say that I knew that there was an issue at the beginning of last year. So officials discovered that there was an irregularity between the legislation and the regulations as they were being drafted. That came to light in August, late August, of last year. I was advised on 3 September that the inconsistency between the legislation and the way that the regulations were able to be drafted meant that the Cabinet decision to include a confidential reserve price would not be able to be included in the regulations under that draft. So that was on 3 September.

The advice that I received from officials at that time was that the absence of a confidential reserve price in the early auction period this year presented a low risk. However, there was some commentary over subsequent months. In particular, on 2 November, there was a story in *Carbon News* about—sorry, I've got that wrong. There was a story a bit earlier that, essentially, meant that officials changed their view about the risk profile. So I then received further advice in about mid-November, and that was when we decided to go with the recommendation that we would introduce legislation.

I actually just want to correct something else for the record, because it's, again, I think a misstatement of the facts. Scott Simpson talked about the stories in *Carbon News* and when we notified the market. It was quite important not to let individual companies know earlier than anybody else, which is why we released the story via *Carbon News*, a media outlet. So OMF and Carbon Match, the two secondary market operators, found out that way. They didn't get advance notice. They obviously would have notified their clients; most of their clients actually read *Carbon News* anyway. And also, I think a day or two after that story came out, there was an email out to market participants as well. So everybody did find out at the same time that we were going to introduce it. So that's the time frame.

In terms of the actual substance of the amendment put forward, it's under the existing legislation. I would say it's unnecessary because it's within the scope of the auction monitor to conduct exactly those sorts of reviews about things like whether the technical reserve price or any other component of the auctioning system is functioning well and what further improvements that we might need to do. Section 30GD of the Act allows the Minister to specify the auction monitor look at exactly that function, at the confidential reserve price, if we wanted to take a look at it. But also, of course, we will know the extent to whether it's working or not due to the actual performance of the auctions as they occur during the course of next year.

**STUART SMITH (National—Kaikōura):** Thank you, Madam Chair. I want to stand in support of my colleague's Supplementary Order Paper (SOP), which is Erica Stanford's, on the review of the auction. I listened carefully to the Minister's response then, and yes, it may well be within the auction monitor's purview to review that, but I think it should be wider than that and it should be a compulsory option. I think this is a very good SOP, and it requires quite a bit of thought, I think.

This has been rushed through, and I think, to just take it for granted that that small group of people who are involved in setting up the methodology themselves are also asked to critique themselves—and I think it's important that we have a proper and open and transparent process of at least knowing that this has been reviewed properly and that we

have the confidence that this is going to be functioning correctly, because, actually, as has been said, this is a really technical thing that we are doing. It is quite complex.

I had the pleasure on the weekend of speaking to a group in Marlborough called the Climate Karanga, who are very keen climate activists, who actually don't understand the emissions trading scheme (ETS) that well. And I'm finding—that's no criticism of those people at all, but it is quite a complex thing that we're talking about here. And I think it's more than just doing the functionary things correctly; we have to take people with us. They have to own this, because they're going to pay for it one way or another. They're completely unaware that they're paying for carbon emissions now—at the fuel pump, for example—and when I explained that to them, it was a bit of a shock. Most of them drove Nissan Leafs, and I pointed out to them that, while they may be lowering their emissions, they're not lowering the country's emissions, because they're simply making it cheaper for other emissions certificates to be purchased on the open market because they won't be requiring them. And we have a set number of units that are going into the market. It's a very simple process once you get your head around it, but it takes a little bit to get there.

I think that this bill—well-meaning—will do a job, but it needs some more belts and braces around it because it actually is so important to us in New Zealand to make sure that it works correctly. And I think the Minister actually could give us some more information around that, because, I think, surely the advice would be that the only auction really at risk would be this first auction. And, I think, as the member for ACT Simon Court spoke earlier about, those emitters who need some emissions certificates can buy up until some date in May from the reserve market to cover their emissions at a much lower price than the secondary market. And so why would it be an issue after that particular auction on 17 March? I think the second quarter auction will clean up everything if the auction did in fact fail, and I don't think that's a great risk anyway. But if it did fail, then we have a known quantity in the ETS—that's what the ETS is all about, and we have a known quantity coming to the market this year. So there may be a risk that an auction would fail; it's for 4.75 million units. That, I think, is not a massive amount, and if it fails, that will create some urgency, I believe, in the market.

So could the Minister please tell us if he received advice on that, and how thorough that was, and the process he went through to, effectively, make the decision he did. Thank you.

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Madam Chair. Look, I just want to correct something from the outset about when the member says that the auction would fail. If the Government chooses not to sell units into the market because the price falls below the confidential reserve price, that is not a failure of the auction; that is simply not selling something that was available at a price that is acceptable. In fact, you could argue that that is saying that the market—there is not sufficient demand in the market at a price that roughly approximates the secondary market price to release those units into the market at that time. So that is not actually a failure of the auction.

The other thing, of course, to remember here—and I know individual companies have submitted on this—is, if we decide that we're not going to sell units into the market because there's insufficient demand at an acceptable price at that auction, those units become available at the subsequent auction. Now, that is because what we've said is that, in any 12-month period, there will be a total volume of auctionable units, and so if some of those get carried—and that's because, in the 12-month period, the obligation on the company is a 12-month period. So if they don't get it at that first auction, then they can have another crack at a subsequent auction.

The other thing to remember is that the market currently is oversupplied; so there is actually a stockpile, an excess of units in the market in totality. We actually made a decision quite early on—because there was an argument to say, “Well, why would you

auction any units into an oversupplied market at all? Why not just allow the stockpile to run down and then start auctioning into the system once the stockpile has run down?” We decided that what we would do is to auction, frankly, a fairly small amount of units on an ongoing basis to get that system up and running and run the stockpile down over a period of time at the same time, so that, by the time the stockpile does expire, there’s a long experience of auctioning units into the system.

So, essentially, saying that there will be a limited number of units available in any 12-month period and that you can choose not to sell them in any given auction, I think, is one way to safeguard the integrity of the overall system. That’s not a sign of the auction failing at all; it’s actually a sign of the whole system operating.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Madam Chair. I want to raise with the Minister some questions, in Part 1 of the bill, relating to the methodology that he will use to set the confidential reserve price. But, before I get into that, I just want to pick up on a comment that he made in answer to my colleague Erica Stanford about “When did he know?” and “What did he know?” and the time frame. Did I hear him correctly say that the officials drew the drafting error—or the instructions that hadn’t been taken up by the Parliamentary Counsel Office—in August of last year? Was that correct?

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Madam Chair. Yes. I actually want to correct something that I said. I was actually incorrect when I said that the drafting instructions didn’t pass that on. So, actually, the drafting instructions did; there was a Cabinet decision to say that there would be a confidential reserve price. At the time, we referred to it as a “technical reserve price”. That piece of language has changed subsequently. So that was a Cabinet decision that was in the instructions. The bill was drafted and, obviously, went through Parliament, and it was at the stage when regulations were being drafted to match that they discovered there was an inconsistency that didn’t allow for the confidential reserve price to be built in at that point. The advice that I received was that that was discovered in late August, and then I was advised on 3 September.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you. Look, I don’t want to be overly pedantic about it, but I think that the timing is actually quite important, because that’s partly why we are in urgency discussing this bill today, literally a few days before the first auction. There were a series of Cabinet papers that were presented. So one that went back—and this is according to a report in the much-quoted *Carbon News*, and well-respected *Carbon News*. It says in an article that they published that Cabinet accepted Shaw’s recommendation and on 21 September, so after August 2020, invited the Minister for Climate Change to report back to Cabinet regarding—and then there was a piece redacted—the technical reserve price before the third reserve auction in 2021.

Now, that commentary gives rise to a suggestion that, actually, the Cabinet didn’t have a sense of urgency—that, in fact, there wasn’t any particular urgent need to address this issue, and that something changed, something clearly changed. If the Minister had drawn to his attention by officials a fault in the regulations that had become clear in August, why was it then still back a month later, in September—towards the end of September, on 21 September—that Cabinet was “inviting the Minister for Climate Change to report back to Cabinet regarding”—something redacted—“the technical reserve price before the third reserve option in 2021”, which is, you know, some time away? So I’m keen to just clarify the timing, please.

**Hon JAMES SHAW (Minister of Climate Change):** No, that is consistent. So the advice I received on 3 September was advice from the Ministry for the Environment (MFE) saying that they had discovered there was this irregularity that meant that we weren’t able to produce that, and the advice at that time was that it presented a low risk.

I then took that to Cabinet—which is where you get that reference to the Cabinet decision later in September—because the advice was to say let's fix it up over a longer period of time, because we, at that time, thought that we had another emissions trading scheme amendment bill that would be coming in and we could put them in together at that time.

However, subsequent to late September, when that decision was made, as I mentioned before, there was some commentary, including as previously noted from the Opposition spokesperson on climate change at the time, calling attention to this. And that itself changed the risk profile—that MFE felt that that could then induce a different type of behaviour by participants in the auction process—and so, therefore, I then received, in, let me get this right, mid-November, new advice that said it was felt that, actually, we should go ahead with an amendment prior to the first auction, which is what we're now dealing with.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Minister, and I'm very pleased that the Opposition spokesperson at the time was able to cause such concern amongst the ranks of the officials in the ministry. This is cause for great optimism about the role of the Opposition in keeping the Government and holding them to account. But we still find ourselves here under urgency literally a few days before the first auction and passing this piece of legislation which, in a previous debate, my colleague Dr the Hon Nick Smith has made clear is likely to be the source of further amendment because of its rushed state.

I particularly wanted to raise matters in Part 1 of the bill that go to the setting of the methodology by which the Minister will determine the confidential reserve price to be used in the auction process. There was quite a lot of discussion around that at the Environment Committee; the select committee has recommended some changes to provide a more robust approach to the setting of the methodology. But what I'm keen to know from the Minister, specifically, is his understanding of what will be required of the process that he will be undertaking and leading and what will be the role of his officials, what will be the specific role of the Minister of Finance, and will there be any other of his Cabinet colleagues involved? And I guess what I'm really seeking is some kind of reassurance that this methodology-setting process will be robust, that it will stand scrutiny, and that it will be one that the participants in the auction process can, with confidence, rely on in terms of them placing bids for what will be multimillion-dollar transactions. I think that they deserve to understand, essentially, what's in his head and his interpretation of the words that we are probably going to soon pass in this piece of legislation.

**Hon JAMES SHAW (Minister of Climate Change):** So, just very briefly, my understanding is that officials will prepare advice as to what the formula should be. I will then consult with the Minister of Finance, who, presumably, will also receive advice from Treasury on that. No other Cabinet colleagues will be involved in that process, and we'll also, as a result of the amendments that have come through from the Environment Committee—which I completely agree with—consult with the auction monitor, not the auction operator as somebody previously mentioned, about that, and then we'll sign that off.

It is also really important—I think some members have confused, in some of the statements I heard in the second reading, the formula with the price. So the Minister will not set the price at all, but they will, essentially, sign off on the formula by which the price is set. It's actually the market that sets the confidential reserve price, because the formula relates to what's happening in the secondary market.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Madam Chair, and thank you, Minister. There was some concern expressed at the Environment Committee as to whether indeed the Minister of Climate Change was actually the right person to be

setting the confidential reserve price, and I'm interested to know whether the Minister took advice about any alternatives to the setting of a confidential auction price by a process that maybe didn't involve him as Minister. The reason that people raised some concerns about it is that there is an obvious correlation between the Minister of Climate Change, the auction process, the involvement of quite significant financial transactions, and the effectiveness and efficacy of the whole emissions trading scheme system.

So this goes more to a question of, I think, perception, but I do think that market participants and, indeed, the broader general public need to understand what the process was in coming to deciding that it should be the Minister of Climate Change. Was, for instance, there any suggestion that it might be some independent body of experts or maybe another, potentially more appropriate, Cabinet colleague that could do that, that was—in terms of the public perception—one or two steps removed from the climate change broader debate, if I can put it that way? As I say, I think this goes to a question of perception rather more than reality, but I do think it's an issue that is clearly of concern to some people, and I'd appreciate the Minister's answer, particularly to the question of whether there was consideration given to any other mechanism or person or office being the appropriate form for setting the confidential reserve price.

**Hon JAMES SHAW (Minister of Climate Change):** So the responsibility relates to the ministerial responsibilities in relation to the regulations. So the analogy that I would draw would be the regulatory settings around the electricity market, which are the responsibility of the Minister of Energy and Resources, and the Minister of Energy and Resources has certain responsibilities relating to the regulations for the electricity market. So that's the analogy. So to have a Minister responsible for regulations that they aren't otherwise responsible for would be inconsistent with an approach that's widely accepted across Government. However, it was felt that it made sense, given the fiscal implications, for the Minister of Finance to be consulted in that, and I did like the Environment Committee's proposal, which we've accepted as amended, that the auction monitor also be consulted. So you do have, through the auction monitor, essentially an independent body whose job it is to look at the overall health and functioning of the market and to provide that view.

**STUART SMITH (National—Kaikōura):** Thank you, Madam Chair. The Minister mentioned that the market is oversupplied with units at the moment, and I accept that. He went through the rationale of running small auctions in 2021 to get the market up and running and to ensure that everyone knows how it works and gets used to utilising the market. My question is: how much is it oversupplied by, and how long does he think it will take to run down the stockpile? And, should the first auction fail to clear, what kind of difference will that make to that time horizon, given that it's very important for us to have some clarity on these matters, particularly for the people who will operate in this market, so that they can have confidence that they are participating in a market that they understand fully, because this will be the first time this market has run like this? While we have a secondary market, it's not an auction system like this one, where a certain number of units go up for sale and, if they reach the parameters around a clearing price, then that price is set and the auction is successful or a failure. You can call it whatever you like, but, essentially, they either sell or they don't sell those units. And so how much is the oversupply estimated to be, and how long will it take to sell that through? And what impact would 4.75 million units—in the first sale, should that fail to clear—mean in that extended time frame? Thank you.

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Madam Chair. The member will be disappointed, but probably unsurprised, to learn that it's not a simple answer, because it relates to the emissions trading scheme.

**Hon Scott Simpson:** We've got plenty of time.

**Hon JAMES SHAW:** Ha, ha! We estimate that there are, in effect, about three years' worth of total demand in oversupply, right? But you're not going to use all of that at any one time, and there are two factors that mean that you don't get an exact number, one of which is how forestry units work in the system and, essentially, the impact that that has in any given year on demand. Also, the other big thing being that, when you talk about oversupply, you should always have a little bit of excess in the system, right? To enable the functioning of the system. So there is more oversupply than we're comfortable with—is probably a way of describing it.

Now, what we have said is that the intention is to try and manage that down in a kind of very measured way over an extended period of time. So we've estimated—and I'm saying “estimated” very consciously because it's not like a target or hard data or anything like that—but we've said about 10 years to run down that oversupply, rather than try and sort of squeeze it out of the system really early on. So that's why, when you look at the charts, which kind of show the total emissions budget, there's emissions that fall outside the emissions trading scheme, and then, of the emissions that fall inside, it's divided up into, essentially, the stockpile units that are freely allocated under the industrial allocation system, and then, essentially, the difference between those two is what we're saying we'll auction off in any given 12-month period.

**BARBARA EDMONDS (Associate Whip—Labour):** I move, *That the question be now put.*

**SIMON COURT (ACT):** Thank you, Madam Chair. To the Minister: so the ACT Party supports a fully functioning emissions trading scheme, and while the bill as presented to the House does not yet represent that—it does still fall short of that objective—we believe that any improvement to the functioning of the emissions trading scheme is desirable. So that's why we've tabled an amendment, which addresses a lot of the risks that some of the other members have addressed, have spoken about: the risk that, should the auction fail to clear, should the bidders bid above the reserve price but not enough of them bid above the reserve price—so the entire volume of New Zealand units does not all clear—

**CHAIRPERSON (Hon Jacqui Dean):** Order! If the member could confine his comments to Part 1, and when he's addressing his amendments, do that under Part 2 of the bill.

**SIMON COURT:** Thanks very much, Madam Chair. So in terms of Part 1—just let me get back to the first page—the principal Act, which allows for the emissions trading scheme and for the auction of these credits, does still have some flaws which need to be addressed. Some of the submitters raised issues around the confidential reserve price, which we'll get to. They also raised issues relating to the functioning of the bill, such as the need for bidders to provide collateral to be able to—they're required, essentially, to put up 20 percent of their bid, and what that means is that is a drain on working capital for their businesses. So we did hear from officials that those costs hadn't fully been taken account of when designing the Climate Change Response (Zero Carbon) Amendment Act and this Climate Change Response (Auction Price) Amendment Bill but that in future they would do something to address that.

We would hope that the submissions from those organisations who do have a large stake in the emissions trading scheme are taken heed of at select committee and, in future, when future amendments are brought. But also there are a number of smaller, what you'd call mom and pop, organisations, and these are people that we might not consider unless we've been there—places on the West Coast or in the South Island, where a small family-owned coal mine might supply a single dairy company and their operation, for example, or a sawmill. So they're not intended to be big players in this auction process, but they rely on other carbon traders to make trades on their behalf. One of the risks that was raised

by those carbon traders—people who are experienced in working in these markets—is that they may not be able to secure the units for their smaller clients at auction, and that they may therefore be forced into a disrupted secondary market. For that reason, they were asking for more than the considerations which officials and the Environment Committee were able to give them.

But I do look forward to discussing that further when we get to Part 2. Thank you, Madam Chair, and, Minister, I'd appreciate you just to offer your perspective on those comments.

**STUART SMITH (National—Kaikōura):** Thank you, Madam Chair. Minister Shaw mentioned the oversupply and how the auction would work and cope with the oversupply—that was very helpful; thank you very much. I wonder, though—given that we might have a supply and it might take 10 years to run down; the Climate Commission mentioned in their report their concern about too much forestry and restricting it to just 380,000 hectares—if the Minister took advice on whether international offsets could be bought by the Government and auctioned through the auction system, primary market. As the Minister will be aware—and I think, it was mentioned earlier by someone, anyway—about the much cheaper price for offsetting offshore, I think that there will be a time when we will need international offsets. And one way to bring them into the market and to satisfy that demand but to manage it through the Government's process would be to introduce it through this mechanism, thereby selling at a premium, and some way of, then, the Crown recycling that capital through all sorts of ways—perhaps the way that it's done in Canada, where it goes back on a per household basis, or some of those sorts of things. I get that's outside the scope of this bill, but this could be the mechanism to do that. Does this bill allow it? Is there anything precluding those international units going through this mechanism, and did the Minister seek advice on that, and was there anything that we should know about that was raised as a result of that?

**Hon JAMES SHAW (Minister of Climate Change):** I'll take those issues raised by Simon Court and Stuart Smith together. They all fall outside of the scope of this bill, because this really is just to do with a mechanism inside the auctioning system, and it doesn't preclude any future decision about the use of international units or the way that those might come into the system at all, because really this bill just deals with that very small matter of the confidential reserve price in the auctioning system. And so, in relation to this bill, no, I have not taken any advice on international offsets.

**Stuart Smith:** Any at all?

**Hon JAMES SHAW:** Well, that would be outside of the scope of this bill. Some of the questions that Mr Court raised were about collateral and the ability of, essentially, small operators to be able to access the market. Again, those are unaffected by the presence or absence of a confidential reserve price in the auctioning system. They speak to wider design principles of the emissions trading scheme, and I'd just like to say that I think that he will have plenty of opportunity to debate those in this House subsequent to the passage of this bill.

**ERICA STANFORD (National—East Coast Bays):** Thank you, Madam Chair. I would like to ask the Minister whether or not he sees a future in which we won't need a reserve price, or a secret price, for that matter. And the reason that I'm asking this is because someone much older than me—because I'm not old enough to remember this, but when the New Zealand dollar was floated, we had a similar situation where people were very worried—

**Hon Scott Simpson:** Was the Minister old enough?

**ERICA STANFORD:** Ha!—were very worried in this Parliament, apparently, so I hear, that we would need some sort of floor and ceiling, and in the end, we didn't. And we look back now and say, “Well, that's ridiculous that we would even be thinking that.”

So I'm interested in whether or not the Minister received any advice on whether or not there may well be a future in which this isn't required or, in fact, that the reserve price doesn't need to be secret.

The reason I'm asking this particular question is in relation to my amendment, which seeks to have an independent review of that confidential reserve price mechanism to actually look at the whole reasoning behind it, and whether not only is it working in the way intended and not actually increasing the risks rather than reducing them but also in going so far as to consider whether or not the market is actually able to function as it should. And there may not, in fact, be a need either for a reserve at all or a secret reserve price, which would take away all of the concerns that we have on this side of the House around who sets that mechanism that flows through into the price and all of the bits and bobs that go around that that we're worried about.

So did he receive any advice from his officials on whether or not this may not be required in the future or, in fact, that the reserve price, as it often is, could just be made widely known? And if he did, you know, why didn't he take that advice?

**Hon JAMES SHAW (Minister of Climate Change):** So when it comes to the confidential reserve price, the analogy that I would use is selling your house at auction, which is a system that New Zealanders are very familiar with. Usually when you sell your house at auction, you don't tell the market what your minimum price would be. You don't say, "I will only sell this property for \$500,000.", because then bids will tend towards \$500,000, and, obviously, you'd like to sell it for more than that. So the question that you raised about the price floor of \$20, which is public, and currently the \$35 fixed price option, which is going to be replaced by the cost containment reserve trigger—those, really, are mechanisms to allow the economy to adjust over a period of time.

So the idea of a cap on the price was actually introduced by the previous National Government as a way of limiting the price, and I think it was initially—\$15? [*Interruption*] Twenty-five dollars was the price that that Government said, "We will not allow prices to float above \$25. Rather, at that point people can start exercising the fixed-price option." That was because it was felt that, beyond \$25, there would, essentially, be kind of too much damage to the New Zealand economy, with cost to businesses and so on. And the net result of that, of course, was that it severely limited the impact of the emissions trading scheme. It was one of the factors that severely limited its impact over that sort of 10-year period. Now, one of the reforms that we introduced was to allow that to move up to \$35, and then we've said that, from next year, once we've got this cost containment system operating, that will move and that \$50 is the price there. What that does is it allows businesses to say, "That's roughly the band within which we can see the market operating."

Now, is there a world in which you won't need either a clear price floor or a cost containment reserve? The answer is: I don't know. But, at the moment, as a transition mechanism, we think it is an important part of the system in terms of being able to signal to the market, but I think that having a confidential reserve price in which you are, essentially, trying to say, "Is there sufficient demand in the market at an acceptable price, without disrupting the secondary market?"—that that mechanism is valuable, and that's why we're introducing the bill.

**STUART SMITH (National—Kaikōura):** Thank you, Madam Chair. In the first reading speech, I mentioned concern about whether this was a tax or not. I actually asked officials for advice; never really got a satisfactory answer. I would really like to know if the Minister has had advice, or sought advice—any advice at all—on whether this is actually a tax or not. If it is a tax or could be construed as a tax—I know it's a bit pointy-headed, but it could be—then Parliament must set the tax. By yourself, the Minister of Climate Change, the Minister of Finance, and the auction monitor setting the



methodology, which doesn't directly set the price but it actually is linked to the secondary market price—so it does, effectively, set a price, if that is a tax—then constitutionally it should be Parliament that sets that, and what this bill does would usurp that right. I think it's actually quite an important issue to get ticked off at this stage, one way or the other—and I see someone's rushed out the back to get something, whether it's just a pen to write down or some statute book to look through.

I think it would be very interesting for the House to have confidence that we are not passing a piece of legislation that trammels over a long-held principle going back to our Bill of Rights that it is, in fact, Parliament that sets taxes, not Ministers, by Order in Council. If anything is done that way, without Parliament setting it, then it has to be validated by Parliament by the end of the session, which would be the end of the year. That could be done for this bill; there's no doubt about that. We could be back here after the last auction, then validating the methodology for the confidential reserve price. And, as is probably likely to be the case, it is unlikely it will be needed from that point on, in which case we would require legislation, as this bill has introduced, to remove the methodology once it's been put in place. So I'd be very interested if you've had that advice, and I think we should all hear it. So I look forward to your response. Thank you.

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Madam Chair. Clearly, no, it is not a tax; it is a market. The Hon Dr Nick Smith talked about and exchanged words with the Hon Dr David Clark about the debates that were had in the 2000s, when there was an attempt to introduce a carbon tax, which, because National pushed hard on it, said that “No, we wouldn't introduce a carbon tax as a country; we would, in fact, have an emissions trading scheme.” So what we have is an emissions trading scheme (ETS) and not a carbon tax.

For clarification, a tax is where the value of the charge or the price per unit is set by the Government in advance and your activities determine the extent of the liability. The primary purpose of a tax is to raise revenue for Government purposes. The primary purpose of the emissions trading scheme is not to raise revenue; it's to drive down emissions. In fact, people actually say, “What do you think the price of emissions should be?” Now, as Minister, I have to be aware that anything I say would influence the market, but, in an ideal world, the price of an ETS unit should be zero, because there would be no demand, and there would be no demand because New Zealand would have reduced its emissions down to net zero, right? So that is actually the demonstration of whether or not it's a tax, because if you wanted a tax, you would put something in place that was, essentially, raising revenue for the purposes of raising revenue over an extended or, in fact, a permanent period of time. That is not the purpose of this emissions trading scheme. I have to say, once again, that that is not a question in the scope of this bill, which is to examine whether or not there should be a confidential reserve price.

To use another analogy: we were talking about house auctions before. One way to think about this is that the Government, essentially, establishes and regulates a number of markets. One of those is the electricity market. There are a number of mechanisms which are very similar between the way that the electricity market operates and the way that this operates. So you could no more argue that the price of a New Zealand Unit is a tax than you could argue that your price of electricity is a tax, right? You would be saying, “Well, I'm being taxed on my use of electricity.” Well, that's just the price that you pay for the service that you receive of electricity. So I think the distinction is very clear.

**SIMON COURT (ACT):** Thank you, Madam Chair. To the Minister, you've raised a very good point: the analogy between house auctions, electricity markets, and auctions under the emissions trading scheme (ETS) might, on the surface, appear to have some similarities, but a slightly more detailed look will indicate that they are, in fact, wildly different. And I think the point you make about what control businesses have over how

they mitigate their emissions through the scheme—and this bill is intended, by setting a confidential reserve price, to send a signal.

The Government sends a signal: this is what we think, roughly, the cost of emissions should be and businesses should plan on that basis to make changes in their businesses either to mitigate their emissions or, if they can't, then to budget for having to offset them through the ETS. That's quite different from the electricity price market, where you're able to hedge, engage in forward purchases, and, at the end of the day, there is a willing seller, willing buyer element. In other words, a generator is able to sell electricity from a hydro dam or a coal-fired power station—and that seems to be much more popular this year than it was last year or the year before. They're able to sell that to their customers at a willing seller, willing buyer price—although the electricity market has its own flaws, in that the cost of units through the emissions trading scheme appears to be flowing through into significantly increased prices in the electricity market.

So I'm wondering: has the Minister had advice as to these combined effects? We have increasing costs of New Zealand units, we have increasing volumes of coal being burnt, and we know that Genesis Energy—which has been responsible for managing the dry year risk through the Huntly power station—are importing more coal. They're proposing to stockpile hundreds of thousands of tonnes and to bring their third Rankine generator online. Has the Minister had advice as to whether setting a high confidential reserve price—a price of potentially close to where it currently is in the secondary market—is likely to lead to increasing electricity prices? And, if so, is that likely to have a negative impact on the decarbonisation of New Zealand business and our economy—quite the opposite effect of that which you're trying to achieve? So have you had any advice on that, Minister?

**Hon JAMES SHAW (Minister of Climate Change):** First of all, it's incorrect to say that the Government sends a signal about what we want the price to be, because the confidential reserve price, through the formula that this bill enables, relates to approximately where the secondary market value is. You have to remember that the secondary market price is determined by the market participants themselves, not by the Government. So it's actually the market that is setting the price, not the Government, in sending that signal about what they think the value of it is. And so when you say a high confidential reserve price, well, whether something is high or low is entirely relative to the secondary market price. So, actually, it is not a function of what the Government thinks that the price should be at all; it's just that's what the market value is.

**Hon DAVID BENNETT (National):** Thank you, Madam Chair; just a couple of questions. So, if the Minister is talking about market price like that, does the Minister agree that the carbon price actually influences the forestry market and planting?

**Hon JAMES SHAW (Minister of Climate Change):** Well, of course the carbon market determines forestry plantations, but that's well outside the scope of whether or not there's a confidential reserve price in the emissions trading scheme.

**Hon DAVID BENNETT (National):** So one part of the primary industries has a confidential minimum price that producers would be able to achieve. Is that not true now?

**Hon JAMES SHAW (Minister of Climate Change):** So foresters don't auction units into the system; it's the Government that's auctioning units into the system.

**Hon DAVID BENNETT (National):** Yes, but foresters get paid, don't they, for their units?

**Hon James Shaw:** Yes.

**Hon DAVID BENNETT:** On the price that's set at the market?

**Hon James Shaw:** In the secondary market.

**Hon DAVID BENNETT:** Yes, and this influences the secondary market price, doesn't it?

**Hon James Shaw:** Yes.

**Hon DAVID BENNETT:** So the Government, effectively, influences the secondary market price, which is the price a forester will get for the product that they produce, isn't it?

**Hon JAMES SHAW (Minister of Climate Change):** Look, I'm not sure where the member's going with this. So New Zealand is unusual in having forestry units in the emissions trading scheme, and a number of other schemes don't have that at all. If you didn't have foresters being, essentially, able to say, "We're going to draw down carbon dioxide out of the atmosphere", that would make the emissions budgets even harder to reach. And you could argue that, therefore, an emissions unit would be even higher as a result, because you wouldn't have that ability to net off at any point in the system.

**Hon DAVID BENNETT (National):** Yeah, I understand that. I just asked the question. So if a forest owner that's selling credits into the market, or getting the carbon price, that is on the secondary market, and that price is now, effectively, influenced by the Government policy?

**CHAIRPERSON (Hon Jacqui Dean):** The member David Bennett will sit if he's not using his call.

**BARBARA EDMONDS (Associate Whip—Labour):** I move, *That the question be now put.*

Motion agreed to.

**CHAIRPERSON (Hon Jacqui Dean):** The question is that Erica Stanford's tabled amendment to Part 1 inserting a new clause 5A be agreed to.

A party vote was called for on the question, *That the amendment be agreed to.*

**Ayes 43**

New Zealand National 33; ACT New Zealand 10.

**Noes 77**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10; Te Paati Māori 2.

Amendment not agreed to.

A party vote was called for on the question, *That Part 1 be agreed to.*

**Ayes 77**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10; Te Paati Māori 2.

**Noes 43**

New Zealand National 33; ACT New Zealand 10.

Part 1 agreed to.

## **Part 2 Amendments to Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020**

**CHAIRPERSON (Hon Jacqui Dean):** Members, we now come to the debate on Part 2, which is the debate on clauses 6 to 17. This is the debate on amendments to the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020. This also includes the debate on the Schedule. The question is that Part 2 stand part.

**STUART SMITH (National—Kaikōura):** Thank you, Madam Chair. Well, it's great to have an opportunity to speak to my amendment, which would, in clause 9, regulation 15A, after 15A(3)(a), insert "(3)(aa) the leader of each party that is not in Government or

in coalition with the Government”—that is, to be consulted. In the spirit of the Climate Change Response (Zero Carbon) Amendment Act and all the climate legislation to date, we have had across-the-House support on these matters, and where there’s been disagreement, it’s been on minor issues, not on the principles of what it’s been trying to achieve. So this confidential auction reserve price is, as the Minister has said, they believe, integral to running a good and fair system. That may well be, but under this bill, it is the Minister for Climate Change, the Minister of Finance, and the auction monitor that set the methodology. That, effectively, sets the price below which it cannot go—so it sets the bottom price—and that is a major part of this legislation and a major part of the climate legislation. Therefore, in the spirit of all of the legislation that has preceded this on climate, it should be a cross-party consultation process.

Now, I’ve spoken to the Minister previously about this. Hopefully, he’s had a road to Damascus moment and really realised that this should be consulted on with those other party leaders, but it seems his view is that he’s concerned this is a market issue and he couldn’t really consult with anyone else. Well, he’s going to be consulting with the Minister of Finance. He’s going to be consulting with the auction monitor. He would be consulting with the leader of the National Party, with the leader of the ACT Party, and with the leader of Te Paati Māori. That is not a large number of people, and to say that that would be unsafe is to say that those people are dishonest, and I simply don’t accept that. The Leader of the Opposition is consulted on on matters to do with the Government Communications Security Bureau and the New Zealand Security Intelligence Service. They are far more sensitive issues that are being consulted on now, and to say that we can’t have this confidential reserve price methodology consulted on amongst the leaders of the parties—I simply don’t buy that; it’s a ridiculous argument.

This is really important: if the Minister believes that this is an important bill that we’re debating here tonight and he believes it’s essential that it survives through different Governments going through time, then he needs to actually put his money where his mouth is, no pun intended—in fact, it was intended—and consult the leaders of the non-governing parties. It’s essential that they have full clarity on what is going on in this particular methodology. There’s probably nothing more important than that. They must know that this methodology is sound. They must have clarity on it. We, as members of Parliament, don’t need to know; we would have confidence in the process and the methodology should the leaders of our parties actually have been consulted on it.

So I can’t understand why the Minister would be against it. I know he will have had time to consult with the officials, particularly the ones who are here in the Chamber now, and I’m sure they will have given him sound advice. And that sound advice would be that you should support this, Minister, because it actually would run counter to all of your principles if you voted against it. It’s a very sound piece of advice, and there are far more people involved in other decisions that make really critical decisions, such as Cabinet. Cabinet discusses what’s market-sensitive information during Budget debates, and do they keep it quiet? Well, they do—unfortunately, when they give it to Treasury, they put it up on their website and we can look at it! But, notwithstanding that, that’s just a failure of process. How that person kept his job, I have no idea, but that’s another matter. But the Minister must tell us, if he’s not going to support this, why.

**CHAIRPERSON (Hon Jacqui Dean):** The member’s time has expired. The committee will rise for the dinner break, and we will resume at 7 o’clock.

*Sitting suspended from 6.02 p.m. to 7 p.m.*

**CHAIRPERSON (Adrian Rurawhe):** Ka te rā, tēnā rā tātou katoa. Members, before the dinner break, we were debating the Climate Change Response (Auction Price) Amendment Bill. Stuart Smith had just finished, so I’ll take a call.

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Mr Chair. So, just to the point that Mr Smith was making before the dinner break, about whether or not I'd taken advice on consulting with the Opposition, again, I just want to draw the analogy back to the electricity market, or, in fact, any of the other regulated markets that the Government has a hand in where that would be, essentially, an historical practice. The Government of the day sets regulations, and in his comments, Mr Smith suggested that we'd be consulting with the leader of the National Party, the leader of Te Paati Māori, and the leader of the ACT Party. Of course, that is only true in this parliamentary term. It could well change and, in fact, it is likely to change in future parliamentary terms. So I don't think that you would say to any Government that having a mechanism where one small part of one market would be a function of consultation between political parties, as opposed to any of the other parts of that market or any other market that the Government is responsible for regulating.

**STUART SMITH (National—Kaikōura):** Thank you, Mr Chair. Is the Minister aware of section 20 of the Intelligence and Security Act 2017, where it states “Director-General of an intelligence and security agency to consult Leader of the Opposition: The Director-General of an intelligence and security agency must regularly consult the Leader of the Opposition for the purpose of keeping the Leader of the Opposition informed about matters relating to the agency's functions.” Now, I see this in a very similar light, and the point that the Minister raised about it only being for one Parliament—well, it would only be consulted with the other parties when the methodology changed, if it changed.

I think it's absolutely outrageous not to consider talking to the leaders of the parties that are non-Government parties in this House, because it's, effectively, saying, “We don't trust you. We don't trust you with that information. We think it's too secret. It's too sensitive. But, hang on, we're going to talk about it to the auction monitor. We are going to talk to the Minister of Finance.” And by the way, when you have a Budget before the Cabinet, Cabinet Ministers are aware of things that are market sensitive. As I said before, why shouldn't it be a cross-party, cross-Parliament cooperation on a bill, given that all the legislation to date has been largely supported right across this Parliament?

This is Parliament legislation rather than Government legislation, essentially, and I think you're missing the point, Minister, with respect, and I think you're actually trampling over that good cooperation that has grown across this House with this legislation. I think—in fact, I know—that the population out there generally, people in the street, men and women in the street, won't have a great grasp of how the emissions trading scheme works, most of them, and judging by the speeches tonight, a lot of people here don't either. They do, however, understand that the Minister, with the greatest of respect, does, and that members on this side of the House in particular have taken a lot of time—some of it with great history, like the Hon Scott Simpson, who has been involved in these sorts of matters since you've been in Parliament, I'd suggest, Mr Simpson. So I think it's a great disservice that you're doing to us.

We're not asking—Mr Simpson and myself are not asking—to know what the methodology is, but we do think that our leader should know, we do think that the leader of the ACT Party should know, and we do think that the leader of Te Paati Māori should know. Of course, the Green Party are going to know, because you're the Minister and you are the leader of that, but you are a non-governing party. Should that change and the methodology change, then it would be right and proper that the Green Party leader would be consulted on this. They won't be going out and trying to game the market. They won't be going out and leaking important information. That's just not the case. I'm sure the officials, in their heart of hearts, will know that what I'm saying is correct. It's the right thing to do. It's quite insulting to not do it, and I'm sure we'll hear from other parties involved in this that they will support this amendment.

So I really want you to reconsider, Minister. You don't need to take to your feet now; I'll give you enough time. It won't be any loss of face on your part. You'll gain great respect on this side of the House. You'll gain great respect on the streets of New Zealand, because it is important that they back this as much as we do. So I appeal to you, Minister, to reconsider. We will give you a moment out in the lobby there, with the officials. I'm sure that they—they really should be thumbing through their statute book now and looking up section 20 of the Intelligence and Security Act 2017. It's very easy to find, and I'm sure they won't have too much difficulty. I can help you if you wish. I can see the nodding in the ACT quarter of the Chamber, and I'm sure that they will be supporting that, and I'm sure my colleagues will be getting to their feet in support of this amendment, and we look forward to you changing your mind, Minister, in the very immediate future. Thank you.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Mr Chair. Now, I also want to take an opportunity to speak in support of the tabled amendment in the name of my colleague Stuart Smith. In doing so, I'm reminded of the very good work that was done in, I think it was, the 51<sup>st</sup> Parliament and led to a large degree by the former Green MP Dr Kennedy Graham. It was Kennedy Graham who—

**Hon Member:** Fine man.

**Hon SCOTT SIMPSON:** —was a very good and decent member of this Parliament.

**Hon Member:** What happened to him?

**Hon SCOTT SIMPSON:** Well, unfortunately, he left under sad circumstances, because he was let down by his party. But that's not the reason that I want to talk about Dr Kennedy Graham. I want to talk about Dr Kennedy Graham because he was actually the person who I think was pivotal in terms of bringing a sense of cross-partisanship on climate issues to this House. The amendment that my colleague Stuart Smith is proposing to clause 9 would actually advance and further set in place that general consensus of the direction of travel in terms of climate issues. I think that Stuart Smith makes very good points when he talks about the degree of collegiality that has been present on almost all climate matters in this House since the work done by GLOBE, the Vivid report, the path to net zero—that very good report that I and others were involved with. I would hate to see that sense of collegiality, that sense of cross-party support, bipartisan support, would be evaporated for lack of support on what I think is a very practical, very sensible proposal by Stuart Smith.

Stuart Smith makes the point that, in reply to the Minister—who said, well, oh, you know, that might apply to the current Government, the current Parliament, because the Labour Party currently has an absolute majority that we all know won't last for ever. If there is one thing that is certain it is that all Governments, sooner or later, are temporary, and it's just a question of how long that temporary nature is. So the make-up of this Parliament will, in future times, change. I'm convinced it'll be in 2023. There'll be a complete reversal, and the new Prime Minister, the new National-led Prime Minister, will, of course, be a regular guest on the Mike Hosking show. But this piece of drafting that Stuart Smith's put together actually accounts for a situation where the make-up of this Parliament will be different, and it doesn't name parties; it just says “the leader of each party that is not in Government or in coalition with the Government”. So that leaves a high degree of flexibility about who would be—it'll be, clearly, in an MMP environment. It will be the leaders of the parties that do not make up and are not part of the current Government in power. I think that's a very astute, very wise option, because what it does is it gives a sense of inclusion of the whole Parliament to this process.

Like it or not, there are people outside this Chamber—probably there are some inside this Chamber—who remain incredibly sceptical about the whole climate change issue, the whole emissions trading scheme system. They are sceptical about the motives, the

rationale, the reason, the cost, the implications for them and their families and their businesses. This is a small step that, in my view, would help alleviate some of those concerns, because it would, again, be a pointer to an action of good faith, an action of openness and transparency, which is often—well, actually, no; these days, it's not often cited by the Government at all. It used to be. It was for a brief period of time, for about three weeks, and then suddenly it went out the door, and openness and transparency has gone. So here is an opportunity—here is an opportunity, Minister, for you to reconsider your initial rejection of Stuart Smith's proposal. Like him, I urge you to reconsider it. I urge you to think about the perception that would be conveyed not only across this Parliament and the people who sit in it but also to the wider audience and public of New Zealand, to business, to commercial operators, to individuals, to families, communities, councils, and the like.

So, Minister, you, for better or for worse, have a reputation of being a Minister that listens. You have a reputation for being a Minister that considers carefully a whole range of issues, and on this matter, I would like to think that you might reconsider and give Stuart's amendment some consideration.

**SIMON COURT (ACT):** Thank you, Mr Chair. I rise in support of the amendment tabled by my colleague. It's really important that the emissions trading scheme—which is currently not fully functioning. It's malformed. It's a bit twisted, but it has potential—well, maybe with a bit of genetic engineering, an injection, a vaccine of some kind. The enduring solution needs to have the confidence not just of different parties in the House but of all New Zealanders. By offering the other leaders an opportunity to review the methodology, to review the process by which the Government, the Minister responsible, sets the criteria for the auction, that's how you do build confidence, and it does take time. To some extent, the confidence that participants in the market have about the emissions trading scheme and the auction process has been undermined by these late amendments and by the rush to achieve this regulatory change in the days—well, potentially just a few days—before the first auction, on 17 March.

The Regulations Review Committee also looked at the safeguards on power to make regulations, such as the methodology, and they expressed concern that there was insufficient safeguard on that power to make regulations. Their recommendation to the Environment Committee was that we consider whether the Minister's decision should be subject to greater safeguards or independence, and the ACT Party view is that Stuart Smith's amendment to new regulation 15A, proposing a new subclause (3)(aa), that “the leader of each party that is not in Government or in coalition with the Government” should have full scrutiny over the methodology—we think that is an appropriate mechanism to address the risks that have been brought to the attention of the committee and that were not adequately addressed by the officials and in subsequent amendments. So, for that reason, the ACT Party supports that position, and we'd like to hear more of an explanation as to why this fundamentally sound amendment cannot be incorporated and accepted by the House as this Part 2 passes through committee stage towards final stages.

The problem we're trying to solve here through an emissions trading scheme is not just a problem for this House or this Parliament to solve; it's an environmental problem that is a global problem, and our obligations as a nation, while we might disagree on the volume or the timing or the cost of those obligations—we must have a nationally agreed approach. Thinking about the type of coalition that would be ideal in that nationally agreed approach, it would have to involve the businesses who are most exposed to the price of carbon, and those businesses are doing a social good. They are providing fuel. They're providing energy. They're providing jobs in the regions, and those jobs support communities, which in some regions of New Zealand have very few other opportunities for employment and for social mobility. So it's really, really important that any

mechanism that the Government uses to set a price for carbon or establish a confidential reserve price at auction has the buy-in of not just political party leaders but those communities and those sectors of the economy which are most impacted by it and which would have the most to lose, as well as potentially some gain.

So what the ACT Party would like to hear from the Minister is an explanation as to how the risks identified by the Regulations Review Committee have been addressed, because we don't believe they have, and whether the tabled amendment to new regulation 15A, inserting new subclause (3)(aa), is an appropriate way to do that, and if it's not, what other mechanism would the Minister suggest is appropriate? Thank you.

**ERICA STANFORD (National—East Coast Bays):** Thank you, Mr Chair. I rise to speak in support of Stuart Smith's tabled amendment. I note, earlier, that the Minister whipped out his Merriam-Webster—or perhaps, even hopefully, his small Collins dictionary that he carries around in his pocket—to give us the definition of tax, in that its sole purpose is to raise revenue, which is not the intent of this bill. That may be true, but it's still hundreds of millions of dollars of revenue that we will be raising, that will flow through into our electricity prices and gas prices, and hit the back pockets of Kiwis.

The amendments that this Government have been making to the emissions trading scheme (ETS) in the setting of a floor, and a ceiling, and now a secret reserve price, in our view are moving a pure emissions trading scheme far more close to a carbon tax—maybe not 100 percent there, but it is certainly moving in that direction. The Minister has blurred the lines between the two. We've ended up with sort of a hybrid version: we don't have a pure ETS, we don't quite have a carbon tax, but we're pretty close to a carbon tax, and as I say we're talking about hundreds of millions of dollars that will flow through and hit Kiwis in the pocket.

The Minister is, effectively, through these mechanisms, in our view, setting the price. I know that he's splitting hairs and saying, “Oh, well, I just do the mechanism that then sets the price; it's two different things”, but, effectively, the Minister is setting the price. We have made it very clear in round two of our speeches that we do consider that anything akin to setting a tax needs—the long-established principle of this place is that the Parliament alone has the power to tax, not the Government, not the Minister of Climate Change, but this Parliament. That is our view. We do understand that this Parliament can't debate the mechanism, because then it would be public and that would defeat the whole purpose of having a secret mechanism to set a secret price—we understand that. But what we're asking the Minister tonight, very clearly, is to consider a compromise whereby he involves the leaders of the Opposition parties when he is setting that mechanism. As per Stuart Smith's tabled amendment, that's the compromise that we're asking for. As Scott Simpson said, in the words of Kennedy Graham, and the Minister has said this himself on many occasions, that this legislation needs to have the buy-in of all parties, that we want cross-party support, we want cross-party work. Well, this is the opportunity for the Minister to put his words into action by supporting our tabled amendment and allowing the Opposition leaders to be consulted over this particular part of the legislation.

So we are standing here tonight to implore you, Minister, to consider this. I don't think that it's any skin off your nose to have a conversation with the leaders of the Opposition parties over this, because it is a big deal to us. We do consider this to be more of a tax than a pure ETS, and we have said in many of our speeches tonight that there is a long established principle that goes all the way back to the Bill of Rights that this Parliament alone has the power to tax. Now, whether or not the Minister agrees that it is a tax or it isn't a tax, we are firmly of the belief that it is moving, shifting away from a pure ETS far more into the territory of a tax. Our concern is that we can't have this Parliament debate that. The very least that we are asking the Minister to do as a compromise is to support this tabled amendment in the name of Stuart Smith tonight and put his money



where his mouth is, or turn those words into action when he talks about cross-party support for climate change legislation.

We support the ETS. We support the Minister and what he's doing. We want to drive our emissions down as well. But this is a point of principle and, as I said, it's no skin off the Minister's nose to support this. If there is some huge impediment to supporting this amendment tonight, I would really implore the Minister to get up and tell us what it is, because this is something that we are very keen on.

**Hon JAMES SHAW (Minister of Climate Change):** Thank you, Mr Chair. I'll just start with the question that Simon Court raised about the recommendations of the Regulations Review Committee. There was a concern there about whether there should be more safeguards. That was actually in the report, which was that they recommended that the Minister be required to consider independent advice from any auction monitor, once appointed, when setting the methodology, and that of course has made its way into the bill. So that concern was addressed through the select committee process.

Speakers from the National Party have repeatedly said that they consider this to be more of a tax than an emissions trading scheme, or that it is moving from being an emissions trading scheme towards becoming a tax. That is an assertion without any grounding, and no one has yet explained why it is a tax as opposed to an emissions trading scheme. The extent to which it is either a tax or an emissions trading scheme falls well outside the scope of this bill. This bill is extremely narrow and focuses on whether or not there should be a confidential reserve price inside the auction mechanism.

It's also a false equivalence to use national security legislation for the purposes of market regulation. I am aware of the clause in that regulation. I sit on the Intelligence and Security Committee that's chaired by the Prime Minister, so I am aware of it, and I'm aware of the long tradition of how that's managed, but security intelligence is not market functioning. The two are not even close. If the member could find a piece of market regulation anywhere in which leaders of political parties are consulted on the nature of that regulation, I will be very impressed. I know there's not a lot of time left, but you could always ask the library to see if there is anywhere a piece of market regulation that requires consultation with other political parties about the nature of that regulation.

Going further, the question is: why would you do it over just this? If you were to have political party consultation on the regulations, why would you confine it to just the confidential reserve price? Why wouldn't you do it for the many dozens of other components of the regulatory environment, and then why would you stop at the emissions trading scheme? Why wouldn't you also do it for the electricity market, upon which much of the design of this is based? It is really outside the boundaries of what's appropriate in terms of how Governments set regulation. So I have considered it and reconsidered it, and I will not be supporting the amendment.

**SIMON COURT (ACT):** Thank you, Mr Chair. We've heard the Minister's response to this tabled amendment, and, to some extent, the Environment Committee addressed some of those concerns, but not adequately.

I'd like to move on to Supplementary Order Paper 15, which tables an amendment to the Climate Change Response (Auction Price) Amendment Bill, and which address the real risk and, as yet, the unaddressed risk that should an auction with a confidential reserve price fail to clear, bidders who bid in good faith and who submit bids above the confidential reserve price will find that they're not able to take New Zealand Units away from the primary auction. It's been offered that those bidders could then go to the secondary market and secure the units that they need. It's also been suggested that they've had a long time to prepare for this. It's been suggested that there is a large bank of New Zealand Units or carbon credits out there.

I'd like to talk about a number of those matters because they all add up to a scenario which is not shared by the submitters. Those are the submitters who will be bidding for millions and millions of units which they must secure in order to then fulfil their obligations under the emissions trading scheme. They want the emissions trading scheme to succeed, and the reason they want it to succeed is because, if it doesn't, they fear—and this is a genuine fear—that the Government will simply move to policy mechanisms to direct interventions in the market. They doubt whether this Government actually believes in markets. They're not entirely confident that this Government wants a market place solution to succeed. So perhaps if an auction did fail and then businesses were scrambling to secure units from the secondary market, there were price spikes and then commentary around that in the media and in markets, then that could be a legitimate justification for the Government to say, "Look, markets don't work." But, again, any market that has a floor, a ceiling, and a confidential reserve price—which is what we're here to discuss at this stage of the committee—is already if not rigged then extremely tightly controlled by those running the market.

So what this Supplementary Order Paper proposes to do—and ACT feels that this is—is a genuine amendment that will take risk out of the emissions trading scheme and make the emissions trading scheme more durable, more enduring, and more accepted not just by the businesses that participate in it but by those communities who hear the acronym—the ETS—hear about the concept of a marketplace system and wonder what on earth that has got to do with the climate. If we wish to establish an enduring, durable market that has the confidence of its participants and also the communities that are affected by this, then ACT believes that allowing bidders who bid for units in the market and whose bids are above the confidential reserve price—that they should be able to take those units away.

I've heard some of the concerns raised by the Minister and by officials that if the auction clears and those bidders take only part of the units away, then the reserve price would be easily discovered. We know that reserve price will be close to the secondary market price, so it's not like the discovery will be, "Gosh, it was \$10 lower or \$10 higher."—that's not a likely outcome. It's important that the bidders have confidence that when they place a bid and their bid is above the reserve price, they know not just that the auction failed and the Minister will review it but they actually have an opportunity to secure the units that they bid on and to be able to, if they are, for example, traders or buying on behalf of others, go back to their clients and tell them, "Yes, we put in a bid at the price that you agreed we'd bid, and it was above the reserve and we secured the units you need."

Now, if for some reason the 4.75 million units don't all sell at one auction, then they will indeed carry over to the next auction, but if it's a fraction, if it's a few hundred thousand, or if it's a few tens of thousands that fail to clear, that should not be a reason for millions and millions of tons equivalent of carbon and those units failing to be available to the market participants to fulfil their obligations. So that's why ACT believes that this amendment, inserting new clause 11A, "In regulation 32, replace 'zero' with 'or equal to the confidential reserve price'." and to delete some of those other clauses that if the entire block of 4.75 million units is not all sold above the reserve, then the entire block will fail to sell, will be enduring and will give confidence in the emissions trading scheme. In fact, it gives us some small hope, if this amendment was to be taken up by the Government and accepted, that there is an opportunity for an enduring, cross-party approach to a nationally agreed way to mitigate emissions, and that's how New Zealand will retain its standing in the world.

We could well become an example of how emissions trading schemes and a market-based approach to mitigating the risks of climate change can be a shining light, a guiding

light to some of our competitors, particularly in Europe, where they have a hash of an emissions trading scheme themselves. It doesn't include transport, and a host of other subsidies and levers that they pull in their economy, both with transport—I mean, they still subsidise diesel for their fishing fleets. They subsidise French farmers to grow hedges, apparently, for biodiversity. We want to avoid any of those false, I guess, mechanisms that don't actually address climate change, that don't mitigate emissions, but that give the impression that Governments are seen to be doing something. That is true virtue signalling, and the ACT Party doesn't agree with that.

So this bill has been brought to the House under urgency. That in itself creates uncertainty—the submitters said so; a number of them did. They have said it takes time to get large businesses and their trading units and their clients used to the idea, and conditioned to the idea, of how a market will work, and they were asking for more time, but, of course, it's not possible to have more time, because of the time frames that have already been set for the auction process—and that's 17 March for the first auction. We believe that if the Government listened to ACT and to submitters and took up this amendment that we've proposed, we could achieve a fully functioning ETS in time. This one small amendment won't achieve that on its own, but it will go some way towards mitigating the risks that submitters have raised and creating an enduring national process. For that reason, ACT commends this Supplementary Order Paper, this amendment, to the Climate Change Response (Auction Price) Amendment Bill to the committee. Thank you.

**STUART SMITH (National—Kaikōura):** Thank you, Mr Chair. I rise to support Supplementary Order Paper (SOP) 15 in the name of Simon Court, who has just taken his seat. I think it's a great Supplementary Order Paper that you put together, Mr Court. Actually this issue was raised by submitters in the select committee, and, actually, we were never really satisfied with a reasonable answer as to why we wouldn't allow the auction to clear if it met the criteria but the highest bids didn't take up all of the amount that was put up for auction. I think it's good to allow those people to get the units that they're after, so I think it's a very sound SOP, and I think that the Minister should get to his feet and say why that isn't being adopted, if it isn't. He hasn't said he is not going to support it; perhaps he is. I think it's a very good piece of legislation.

This really comes down to a matter of opinion, and the matter of opinion is that of the officials, not of the Minister or the politicians. The politicians are the ones that actually have to answer for bad legislation, not the officials. I think this is a political decision, and it's not the right one unless we actually support this SOP. So I'd really like to hear from the Minister whether he is going to support it, and, if he isn't, why not, because I think we deserve a sound explanation as to his reasoning. Thank you.

**Hon JAMES SHAW (Minister of Climate Change):** First of all, I want to thank the member for taking the time to draft the amendment, and I do acknowledge that having a partial sale is a valid alternative in terms of how you might approach it, but it does introduce other risks into the functioning of the market and to the purpose of the emissions trading scheme (ETS).

We were talking before about the oversupply. So there's about 120 million units sitting inside private accounts, right, and you compare that to the volume of trade that we're looking at here, where each auction will put forward just over 4 million units. So you've got, essentially, that large supply of 120 million out there, and it's really important to understand that one of the purposes of having an auction is to respond to demand signals that are provided by the market as a whole, and not to meet the individual needs of bidders. Of course, you will have—and we did have—a number of companies that made submissions from the perspective that they are coming from, which is their own individual needs, but if we were to design the market in that way, you wouldn't necessarily get the level of functionality that you're looking for. So there is, essentially, a different incentive

for the market regulator than there is for the market participants. So that's a fundamental difference.

Partial sales do risk promoting unnecessary supply into a market where there is, essentially, insufficient demand. So if you don't get that clearance, what that is suggesting is that the market as a whole doesn't have the level of demand that the market regulator says, "OK, well, we'll release those units for sale in that case." So that would be detrimental to the overall functioning and purpose of the emissions trading scheme. It's worth noting that the European ETS has exactly the same functionality, so they have this sort of no-sale provision if the lowest price doesn't clear. So if the market doesn't clear, then that doesn't go ahead. They've had 1,000 auctions, approximately, in the history of the European Union ETS, and only on three occasions out of 1,000 has the price failed to clear and no units get sold into the system. So we are mirroring a much more well-established, much larger market, and in a tiny fraction of a fraction of their auctions has there ever been a situation in which they've chosen not to sell those units into the market because the price hasn't, essentially, been sufficient to demand it.

Whilst a partial sale model is valid, and was considered, it was felt that, actually, ultimately we would fall on the side of where the evidence lay in terms of the European Union example, and given some of the other risks that it would have. So, on that basis—I know that this was canvassed in the select committee and didn't make it through—we won't be supporting this Supplementary Order Paper either.

**KIERAN McANULTY (Chief Whip—Labour):** I move, *That the question be now put.*

**SIMON COURT (ACT):** Thank you, Mr Chair. Thank you, Minister, and I do appreciate that for many members of the House and for those who may be watching today, wondering what all the debate is about—an emissions trading scheme and reserve price at auction—isn't it just as simple as auctioning a house or going to Turners auctions and buying yourself a cheap second-hand internal combustion engine vehicle to take your family to and from church or to the beach or to work—that first tradie van that an apprentice might buy? But it's actually more complicated than that.

Minister, you've spoken of the oversupply of credits, and I haven't heard that term before except used by you in this House and by officials. Yet when we dug further into the oversupply issue, of that 120 million-odd New Zealand Units which are currently held by participants in the market, 66 million of them are in forestry. What that means is they're, essentially, locked in trees, because if those foresters wish to take advantage of those units and sell them or trade them or lease them out, sooner or later, they're going to have to, when they cut down their trees—assuming that they're not just growing pines for a postcard or for some other reason—pay back those New Zealand Units, unless they replant. So 66 million of those credits are, essentially, locked. They're in a vault. In fact, they're buried deep underground. The carbon is locked. They can never come out.

So what we're really talking about is about 55 million units, and a number of businesses have purchased New Zealand Units on the secondary market over time and when those units were much cheaper than they are now. They've done that because they recognised that the trajectory of New Zealand's market-based system was that the price would increase for these units over time and that that would more correctly reflect the externalities that emitting carbon dioxide into the atmosphere in New Zealand causes.

There's no simple way. We've heard about a carbon tax. We've heard about a whole lot of other policies. But there is no simple way to put a price on the tailpipe of your car, on the emissions from the steel mill, the emissions from the cement kiln at Portland in Whangārei, or the pulp and paper mills, or even the emissions from that wonderful Huntly power station, which generates a fantastic thermal baseload of energy and keeps the lights on in the North Island, particularly in winter when it's dry—and, potentially, in summer

in the future, where Aucklanders and those in Hamilton and other parts of the country will want to use their heat pumps as air conditioners. Because that's what progress is: progress is using technology that we thought we might use for one thing—a heat pump to keep us warm in winter. It actually turns out we might like to keep the doors closed and run an air con unit in summer, because it's much more comfortable watching the cricket and being nice and cool inside than having a blast of heat.

So it's important that we recognise that these technologies like heat pumps and like the industries which produce carbon dioxide emissions in order to make products like pulp and paper, like cement and steel, and to refine the fuel that we absolutely depend on in New Zealand—because I know we've heard New Zealand Refining Company at Marsden Point is planning to mothball or shut down their refinery and to import fuel. That introduces a whole lot of new risks, and, potentially, this rapid increase in the price of New Zealand Units—

**CHAIRPERSON (Adrian Rurawhe):** The member's done really well on his contribution. In his last 30 seconds, can he bring it to the actual Part 2 of this bill?

**SIMON COURT:** Thank you, Mr Chair. So we've got about 66 million credits locked up in forestry. Those businesses and industry—55 million, potentially—have hedged to protect their businesses against future price shocks, and if these auctions don't clear, then they may not have sufficient credits to pay for their future emissions. It's not up to a Government or an auction methodology or those who set the auction methodology to say when a business should sacrifice some or all of its credits. So that's why—

**CHAIRPERSON (Adrian Rurawhe):** Order! The member's time has expired. The question is that Stuart Smith's tabled amendment to Part 2, amending clause 9 with new regulation 15A, be agreed to.

A party vote was called for on the question, *That the amendment be agreed to.*

**Ayes 43**

New Zealand National 33; ACT New Zealand 10.

**Noes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

Amendment not agreed to.

**CHAIRPERSON (Adrian Rurawhe):** The question is that Simon Court's amendments to Part 2, as set out on Supplementary Order Paper 15, be agreed to.

A party vote was called for on the question, *That the amendments be agreed to.*

**Ayes 43**

New Zealand National 33; ACT New Zealand 10.

**Noes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

Amendments not agreed to.

**CHAIRPERSON (Adrian Rurawhe):** The question is that Part 2 stand part.

A party vote was called for on the question, *That Part 2 be agreed to.*

**Ayes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

**Noes 43**

New Zealand National 33; ACT New Zealand 10.

Part 2 agreed to.

**Clauses 1 and 2**

**CHAIRPERSON (Adrian Rurawhe):** Members, we now come to the debate on clauses 1 and 2, which is the debate on title and commencement. The question is that clause 1 stand part.

A party vote was called for on the question, *That clause 1 be agreed to.*

**Ayes 108**

New Zealand Labour 65; New Zealand National 33; Green Party of Aotearoa New Zealand 10.

**Noes 10**

ACT New Zealand 10.

Clause 1 agreed to.

**CHAIRPERSON (Adrian Rurawhe):** The question is that clause 2 stand part.

A party vote was called for on the question, *That clause 2 be agreed to.*

**Ayes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

**Noes 43**

New Zealand National 33; ACT New Zealand 10.

Clause 2 agreed to.

**CHAIRPERSON (Adrian Rurawhe):** The question is that the Schedule stand part.

A party vote was called for on the question, *That the Schedule be agreed to.*

**Ayes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

**Noes 43**

New Zealand National 33; ACT New Zealand 10.

Schedule agreed to.

House resumed.

**CHAIRPERSON (Adrian Rurawhe):** Madam Speaker, the committee has considered the Climate Change Response (Auction Price) Amendment Bill and reports it without amendment. I move, *That the report be adopted.*

A party vote was called for on the question, *That the report be adopted.*

**Ayes 108**

New Zealand Labour 65; New Zealand National 33; Green Party of Aotearoa New Zealand 10.

**Noes 10**

ACT New Zealand 10.

Motion agreed to.

Report adopted.

**Third Reading**

**Hon JAMES SHAW (Minister of Climate Change):** I move, *That the Climate Change Response (Auction Price) Amendment Bill be now read a third time.*

I'd like to start by thanking the Environment Committee for considering this bill over a shorter period of time than normal. When referring the bill to the committee at the close of the first reading, I said that the shorter turn-round time was necessary so that a confidential reserve price can be put in place before the emissions trading scheme (ETS) units are auctioned for the first time on 17 March. By meeting this shorter time frame, the select committee played a very important role in building trust and integrity in the auctioning process, and for that I would like to thank them. I'd also like to thank those who took the time to submit their views on the bill, as well as the officials, both at the select committee and the Ministry for the Environment, who supported members in their consideration of what is, I acknowledge, a technical and complex piece of legislation. Finally, I'd like to thank members across the House for their contributions so far.

We know from scientific evidence that to have any chance of limiting global warming to 1.5 degrees Celsius, we must cut global emissions by at least 45 percent on 2010 levels by the year 2030. Staying below that 1.5 degree threshold is what the world's leading climate scientists have said is the best chance that we have of avoiding climate crisis. It has been three years since climate scientists told us that. So here we are, three years further down the road, no longer with 12 years to cut emissions at the level required but nine years. And it's not like the task is getting any smaller.

Last week, the United Nations Framework Convention on Climate Change, the umbrella treaty through which the Paris Agreement was negotiated, published its first assessment of country's pledges to cut greenhouse gas emissions in the next decade. It showed that, right now, the world is on track only for a 1 percent cut in emissions by 2030—a fraction of the effort that is required in order to avoid a climate crisis. If things stay as they are, the planet our children will inherit from us will be much less stable. The increased frequency and magnitude of extreme weather events will pose an ever-present risk to homes and to livelihoods, to food production and to fresh water, and to precious ecosystems.

So to have any chance of avoiding these worst impacts of climate change, we have to dramatically accelerate action. At the very least, we need to get to the point where clean, climate-friendly technologies are more cost-effective than those that for so long have locked us into high emissions pathways. One of the best ways that we can do that is by ensuring that the price of pollution in Aotearoa New Zealand is consistent in meeting our obligations under the Paris Agreement and New Zealand's own emissions reduction targets. Introducing a confidential reserve price to auctions in the New Zealand emissions trading scheme will help with that. This bill provides for a simple mechanism that will stabilise prices and improve the performance of the ETS, ensuring that it can play its part in building a low-carbon future for Aotearoa New Zealand.

Last term, the Government put in place the foundations for long-term, meaningful climate action in New Zealand. Reform of the emissions trading scheme was a key part of this. Having inherited a system that was not delivering on its primary purpose, namely to incentivise emissions reductions, we turned the ETS into one of our most effective tools that we have for reducing emissions. A series of rule changes were made that will, over time, incentivise New Zealand's biggest polluters to invest in the transition to a clean, climate-friendly economy. Primary amongst these was the introduction of a cap on the total emissions allowed within the emissions trading scheme—a cap that is pegged to both our domestic and our international emissions reductions targets. To put it simply: the total emissions permitted within the ETS now has to be in line with our obligations under the Paris Agreement and the zero carbon Act. This is a significant change that will ensure that every part of the New Zealand economy plays its part in helping us to bend the curve emissions downwards—something that has never happened before in Aotearoa.

The cap also provides much greater certainty about future emissions within the ETS and will enable Governments to issue a supply of emissions units consistent with the climate change targets that we have put in place. Having provided this certainty, we can then ask the question of how best to allocate units within the ETS. There are typically two ways of allocating units: auction them or give them away for free. What we see most often in schemes around the world is some combination of the two, and that is what we now have here in Aotearoa New Zealand.

Auctioning is one of the most transparent methods for allocating ETS units and puts into practice the principle that the polluter should pay for their emissions. It is a complex system, but the premise is really quite simple: a proportion of units consistent with the cap and the number of free allowances available is allocated for auction. These are then sold on a specific date to emitters through a single round, sealed-bid auction, which then provides for an initial price of a unit. Once allocated this way, the buying and selling of units between emitters and other intermediaries can then take place on what is known as the secondary market.

Such trading is a well-established practice in a great many emissions trading schemes around the world. Secondary markets provide a means for auction participants to sell units or to purchase any shortfall and, as such, create a powerful incentive for organisations to reduce their emissions. But to do this, participants and other intermediaries trading in ETS units need to have the confidence that the price that they are paying and are basing their investment decisions on will remain stable. To create a stable and credible framework for the sale and purchase of New Zealand units, both the primary and the secondary markets need to operate in a way that is complementary, supporting stability, liquidity, price discovery, and transparency. This bill and the introduction of a confidential reserve price, below which no units can be sold at auction, will ensure that.

When the Climate Change Commission published its draft advice a few weeks ago, I said that I was more confident than I had ever been that a strong, inclusive, and climate-friendly economy that supports our recovery from COVID-19, creates new jobs, and encourages innovation was within reach. The institutional and legal framework that we put in place last term with unanimous support across the House laid the foundations for change at the last possible moment before the window of opportunity closes forever. The reforms also sent a critical message to the market place: that the future was low-carbon, and businesses are responding.

Over the course of the last three years, I have seen examples of the sort of transformation that we need to take hold in many businesses around the country. I've met with business leaders and with innovators who are on the right path but just need policy certainty in order to continue making the right investments. Because of the many small but necessary decisions that businesses all over Aotearoa are taking every single day, I do not believe that the progress that we have made or can make will be reversed. The question then is not whether we will transition to a low-carbon economy but whether we can do it quickly enough; whether we can make the transition in time to cut emissions in line with what the science requires. Essentially, what we are doing here today is providing an answer to the question that says we can change, that we can do things differently, and avoid the worst impacts of the climate crisis and build a zero-carbon world that meets the needs of every New Zealander.

I acknowledge that this is a complex and technical piece of legislation. I'm sure that many New Zealanders will not be sat at home right now watching our progress this evening—not discussing a confidential reserve price over the dinner table. But victories of formal change, such as the passing of world-leading climate laws like the zero carbon Act or reforming the emissions trading scheme, must always be followed by detailed change. Even though it may not be noticed, it is no less important. With that, I would like



to thank the members for their contributions today and over the preceding weeks. Nō reira, tēnā koutou, tēnā koutou, tēnā tātou katoa.

**DEPUTY SPEAKER:** The question is that the motion be agreed to.

**STUART SMITH (National—Kaikōura):** Thank you, Mr Speaker, and I would like to thank Minister James Shaw for his fulsome answers that he gave during the committee stage. It is helpful when we have the cooperation of a Minister who doesn't sit there like a laughing clown and does nothing. He actually answers the questions in a full manner, and I think all due respect to you for that, Minister.

However, it is a great shame that we have arrived here tonight in what is a departure from what the tradition has been in this Parliament around climate change legislation, in that we now are departing from having a cross-Parliament agreement on such matters. The Minister talked about the market needing confidence in the process. Well, the Parliament needs confidence in the process, and, unfortunately, the failure to support my amendment to have the Minister have to consult with the leaders of the non-governing parties does not ensure confidence of this House in that process. It's essential that we do have that, and it's probably more important, actually, than the market having confidence in the process, because we are the people that actually have to answer to our constituents for this. As my colleague the Hon Scott Simpson said earlier in the evening in the debate, Governments are temporary. How temporary they are is the only thing we're uncertain of, although we're pretty certain there's less than a couple of years to—

**Hon Scott Simpson:** This one's very temporary.

**STUART SMITH:** It's very temporary—precisely. So to have this important legislation endure through those temporary Governments, it's essential we have the confidence of the House. Unfortunately, we cannot support this through third reading. I think it's outrageous. That very simple amendment would have given confidence not only to the National Party—the ACT members have also spoken in favour of it. This is not a big ask. It makes no imposition to the bill, and it really comes down, I think, to the advice that you've had, Minister. I think it's quite poor, and I think that it really has trampled on that long-held principle that we, across the House, support such legislation. So it's very disappointing.

The Minister asked about electricity markets and the emissions trading scheme (ETS) auction. He drew a parallel between them and asked why should the leaders of non-governing parties have a say on the ETS auction price, and he said they were the same. Well, there's a very clear difference: the electricity market rules set the amount of profit that buyers in that market can make. This confidential reserve price sets the limit below which prices cannot go, and it raises revenue directly for the Government. They're quite different. Perhaps the officials hadn't thought of that, and if they haven't, shame on them. I realise you've got a lot on your plate, Minister, but that is actually a pretty simple concept.

You talked a lot about the ETS. That is a marvellous mechanism, and I think that's what we all support here. We want it to operate properly, and there was your example that you gave about not wasting opportunities to lower emissions and utilising the best signal to do that. But we've seen all around the world crazy policies that cost a lot, and I think the best example is the barrow bikes in Germany. Barrow bikes are a pushbike-type thing with a barrow on the front of it. People can cart their supplies from the shops on their bike, and the German cities thought it was a great idea to subsidise these barrow bikes. They abated a total of 7 tonnes at a cost of €20,000 a tonne. That is an example of a well-meaning policy attempting to lower emissions and, in fact, all it does is cost a lot of money.

I think what the problem we have here now is we're getting mixed signals here with this ETS. We're now going into a confidential reserve price. We need to know that this

auction is going to work properly. We need to know that we can have confidence in that reserve price, and without our leader and the leaders of other non-governing parties knowing that, we don't have the confidence that we would otherwise have, and I think that's really important when we've got such a complex issue as the ETS.

As I mentioned earlier, I spoke to a group on the weekend who are very engaged in this issue. They are not newbies to it, and they had a pretty low understanding of how the ETS works. I think we have to be certain and clear in our messages. Everybody doesn't need to know the intricate details of how the ETS works. They need to have a bit of an idea, but they also need to know that there is no smoke and mirrors going on in behind the scenes when these auctions are occurring.

I accept that there 120 million units surplus out there, and we will have to work through those. The chance of an auction failing: although we disagree on terms here, having an auction failing to clear and those units rolling over to the next auction—of course, if it's the last auction of the year, those units then disappear. They don't go on to the next one in the following year, so there are actual consequences if auctions fail to clear, and I think that didn't really get addressed during the debate tonight. I think that's certainly a big concern for us all.

You mentioned also, Minister, the EU's ETS and how good it was. Well, I think that's actually a Clayton's ETS, quite frankly. It doesn't include transport and it doesn't include agriculture, and nor should it. Nor does ours, and it shouldn't either, until such time as our trading partners do. I think we too often take the EU as a shining example when we're the market leaders in this, not the followers, and I think we should be proud of our ETS. It is quite well constructed, particularly now it's capped. We can manage our emissions down, and I think that this auction is of course an important part of that.

I accept that you want to get this up and running ahead of time so that the market is familiar with how the auction system works. Any bugs that are there can be ironed out with the day-to-day running, and we just hope that there are no bugs in the legislation. This has been a robust process, and while it's not a very thick bill and it's only a few pages, there certainly is a lot of room here for mistakes—mistakes that could have serious consequences.

We've done our best through the select committee process. Everyone across that select committee did their best, and there was a lot of cooperation across the Environment Committee. We worked very hard and collaboratively together. I wish the public could see more of what goes on in select committee and the collaborative way we work. Even if we don't support the legislation, we want to make sure that it's the best that it can be. We did support this to the point where we couldn't support it, because it's not one, simple step, but an important one that we on this side of the House have confidence in the methodology.

As I mentioned, section 20 of the Intelligence and Security Act is a principle that could be utilised here, where the Leader of the Opposition is actually consulted on security matters. This is, I would argue, not as sensitive as those principles, those things, that are being consulted with the Leader of the Opposition, perhaps not on a daily basis, but certainly on an as-need-to basis, and I think we should be doing the same thing with this auction bill.

We did talk about the price of emissions being the best way to lower emissions, and I talked about that earlier, but my colleagues will all have more to say on this as we go through. My colleague Erica Stanford's amendment also would have brought quite a bit more rigour to the bill, and it should have gone in. Simon Court's Supplementary Order Paper 15 also, I thought, was quite necessary. We thought about it in the select committee and we debated it. It should have been there, and the reasons for it not being there were not convincing for the select committee, but it got through anyway. I congratulate the

member, who's a new member in the House, for putting such a good Supplementary Order Paper together.

So, unfortunately, we cannot support this bill in the form it's in. Thank you.

**RACHEL BROOKING (Labour):** Thank you, Mr Speaker. I'm so pleased that everybody in this House and everybody in the select committee agrees that we need a really good emissions trading scheme (ETS). And I agree with Stuart Smith, who's on the Environment Committee with me, that we did have a very good process and everybody worked hard to understand and then comment on what is a very narrow bill. So we're not discussing all of the ETS here, just this very small part of it.

There's been quite a bit of discussion today about who the Minister consults with, and that's important. So one of the things I'm very proud of in the select committee is this amendment that means that, as well as the Minister of Finance, the Minister can also consult with an auction monitor. Minister Shaw mentioned in the committee of the whole House stage—he referred to section 30GD of the Act, and this is the bit about what an auction monitor is or can be. So they're to be independent. They have functions that include validating auction results, publishing reports on the results of auctions, and they can also monitor conduct of the auctions. They can make periodic assessments and report back on those and make suggestions, and they can do calculating of metrics. So that's a good, independent role. The Minister's got to consult with them as well as the Minister of Finance.

Many submitters—we heard in the committee stage in particular about submitters who opposed this bill, but there were also many who supported it. One from OMF said, “A carbon auctioning system without a confidential reserve price ... is flawed.” So I'm very happy to be supporting this bill today. Thank you.

**Hon SCOTT SIMPSON (National—Coromandel):** Thank you, Mr Speaker. Listening to that Government member, Rachel Brooking, and also to the Minister, one would be led to the view that this was all part of a planned and coordinated strategy—that it was always in place and it was supposed to be part of a bigger agenda. Actually, this has been a Government stuff-up from go to whoa.

**Barbara Kuriger:** Another one?

**Hon SCOTT SIMPSON:** Another one—another stuff-up of quite significant proportion, actually. In a week, last week, when the wheels were starting to well and truly fall off this Government, here we start this week in urgency, and another Government stuff-up—sadly, I have to say, from a Minister who's usually not known for stuffing things up; a Minister who is usually better and across the detail of his portfolio; a Minister whose judgment some of us in this Parliament have come to respect. But tonight that respect has been dimmed more than a little because he's let his better judgment be overruled, I think, by poor advice—not for the first time on this piece of legislation.

A year ago, exactly 12 months ago, the Minister knew that there was a problem with this legislation—took Cabinet papers to Cabinet committees, offering a plan forward and advice and a structure and a way forward, but with the caveat that, actually, the risk to the Crown accounts at that stage, 12 months ago, he saw as being minimal, as being very small, as being slight. So, notwithstanding the fact that the Cabinet committee agreed to a process to make the changes that, tonight, we are making under urgency—only a few days before the first auction comes to take place—the Minister said, “Oh no, we can wait until there is a substantive amendment to the principal Act before we fiddle and tweak with this last little piece of the reserve price auctioning system.”

And then something must have changed. I suspect, probably, that the Minister of Finance, or indeed Treasury officials, woke up to the risk to the Crown accounts, and they were able to give the Minister some late but probably good advice that said, “Actually, you do need to do something about it, and you'd better do it blimmin quickly, because, if

you don't, there is a risk to the Crown accounts."—to the tune of close to \$100 million if it all went wrong. So a rushed piece of legislation, sent to select committee having been introduced under urgency—poor process, poor form, poor strategy, poor House management, and poor oversight by a Minister who's usually much better than this. And then a truncated, short select committee process where some privileged few were tipped off in advance about the progress of this bill through the House—

**Angie Warren-Clark:** In a public document.

**Hon SCOTT SIMPSON:** In a—tipped off. This is what is really bad about this process: a small group of people who happen to subscribe to a worthy and credible but niche publication called *Carbon News*, which is not one of the most well-read publications in the country, those subscribers had—well, in legal terms, you potentially could say malice of forethought, but they certainly had advance notice that this legislation was coming to the Parliament, notice well ahead of members of the general public, notice well ahead of other players in the market place, well ahead of commercial interests and businesses that might want to be participating in this process. Unless you were a subscriber to this worthy and credible but very niche publication, you didn't have the inside running, you didn't have the inside knowledge, and you weren't able to prepare in advance for a very truncated, short select committee process.

Now, the select committee did, I think, do its very best. They did a good job under difficult circumstances, in a very, very tight time frame, but it was not what this Parliament has come to expect from a fulsome and complete analysis of legislation as important as this. Because it's fundamental, as my colleague Stuart Smith has said, to the cooperation, to the confidence that both members of Parliament have in this overall climate change initiative legislation—the emissions trading scheme (ETS) is fundamental to us achieving our broad and agreed objectives. But if the Parliament doesn't have confidence in it, and if the people who are participating in the programme don't have confidence in it—and what's worse, if the people of New Zealand, if the citizens, the families, the communities, the businesses, the councils don't have confidence in it—then this is just grist to the mill to those who say, "Oh, well, the climate change stuff is all a fantasy." and "We shouldn't be doing anything; it's going to cost a whole lot of money." and "I don't understand it." That just gives them ammunition.

So the Minister, I think, has missed a real opportunity tonight to extend a hand, in a way that would have been meaningful, that would have shown cooperation, collegiality, and true bipartisanship on a key piece of climate change legislation, by adopting and accepting the three very reasonable, very rational, and very sound amendments presented, too, from my colleagues Stuart Smith and Erica Stanford, one each, and from Simon Court in the ACT Party. Each of those amendments would have added value, confidence, and a sense of true bipartisanship to this piece of legislation. I think our Parliament is the worse for the Minister not having taken up that opportunity, and it has put my party in a position where we are now no longer able to support this legislation at third reading, having supported it at first reading, having worked collaboratively and collegially through the select committee process, having supported it at second reading, and then having put forward very sound, constructive ideas in the committee of the whole House, only for them to be rejected out of hand by the Minister, who was receiving, I think, poor advice that could have been so much better for the progress of this piece of legislation.

The Minister, as I said, is usually better than this, and I would imagine that tonight he will be going away somewhere soon to probably talk and do a little bit of a debrief about how he could have done better on this legislation—how could he have presented to the Parliament a year ago a piece of legislation that didn't need to be put through the Parliament under urgency, without full and proper scrutiny of select committee, where

submitters across the nation who had not been the privileged few who had been tipped off could also have participated in this process.

So here we have, frankly, a comedy of errors, and if it wasn't such a serious business, it would be laughable, it would be comical, it would be the sort of thing that—if the political commentators weren't already so charged with so much ammunition against this Government and so busy filling the columns and the airwaves of the country with scorn and derision, this would be just another thing. It would be just another thing to add to the list. Some of them may pick it up, but as the Minister said tonight, probably there will be very few New Zealanders listening to this, because I'm told there is a documentary screening at the moment, something to do with the Royals, which may be drawing the attention of citizens who are more interested in matters of that sort than they are on fine detail, somewhat pointy-headed, nerdy stuff about how effectively our emissions trading scheme works.

And it's a real pity, I think, because it's been a missed opportunity, where the sort of good work that was envisaged by none other than the Green Party MP Dr Kennedy Graham, who did so much good work to form a collaboration across the Parliament in terms of a bipartisan approach—I hope that tonight Dr Kennedy Graham is totally immersed in the Meghan and Harry saga, because he would be mortified to be watching the actions of this Government as they squirm and slither around and try to tidy up what has been a complete botch-up from go to whoa—tried even at one stage to blame the officials, when actually what was very clear was that the Parliamentary Counsel Office had not been briefed adequately on the Cabinet decisions made.

This is fundamental stuff. This is fundamental stuff towards our democracy, and this Government has let themselves down, they've let this Parliament down, and, what's more, they've let the people of New Zealand down. They speak so highly and in such grand terms about their ambitions and their goals, but they deliver nothing, and when they make mistakes, they don't have the good grace to stand up and admit they've made a mistake, and they do it time and time and time again. Well, this will be just one small, further nail in the coffin of hopelessness and despair that this Government wreaks upon the populace of New Zealand, but it's a small one, and some of us who are not watching television tonight—

**DEPUTY SPEAKER:** Order! The member's time has expired.

**TĀMATI COFFEY (Labour):** Thank you, Mr Speaker. The member for Coromandel needs to cheer up—cheer up! And I would suggest that maybe he wants to go and find something to go and watch. Maybe he wants to go and watch Harry and Meghan, and maybe that's the reason that he's so fired up about this. But he needs to cheer up, because this is a positive thing and, in fact, I've heard time and time again from the other side of the House that the time frame is the issue. But, you see, that's not the issue. The issue is climate change. The issue is that we have islands around the world that are sinking—not too far from us, actually. And, actually, we need to treat this with the urgency that people that are going to be affected by climate change—e.g., the people of the Coromandel—deserve.

Talk to our rangatahi—talk to them, the ones that are striking out there in the streets. They're the ones that are passionate about this, and they're the ones that are saying that we're moving too slowly as a Government. So I take issue with the idea that we've moved too fast. Some people say that the wheels of Government move incredibly slowly, but we are nimble enough to be able to move, and this is one example. Again, the big picture—what is the big picture? That we tackle climate change and the effects that it's going to have on all of us. We want a sustainable future. We want to be able to invest in renewable resources. It is a very small—today's bill that we are pushing through Parliament is a very

small part of a very big equation, and we need to be focused on the big picture right here. So for that reason, I commend this bill to the House.

**ERICA STANFORD (National—East Coast Bays):** Thank you, Mr Speaker—unexpected. I'm pleased to rise in this third reading. I'd like to start, though, by just pointing out Mr Tāmami Coffey's comments about how we need to cheer up; "This is a good thing."—a continuation of this Government's complete spin in turning what is a complete stuff-up into "Hey, something positive—this is great. Look over here at this shiny thing. Don't look at what actually is going on".

Because, actually, what we've found out tonight through the committee of the whole House stage is somewhat of the truth of what actually happened. We haven't heard that before tonight, and I'm still actually really confused about what went on, because we've got clear evidence showing that as far back as March last year, this issue was raised in Cabinet papers; it wasn't considered to be a big issue. Then the next thing we were told: Cabinet thought that it was going to be in the legislation, and then it wasn't in the legislation. Again, another example of Cabinet thinking that something was happening that actually, in reality, wasn't—something that's happened more recently that we're all aware of. I won't go into that, but it is becoming a trend of what this Government thinks is actually happening actually, in reality, isn't, because they're not on top of things.

As my colleague Scott Simpson said earlier, it was from a Minister that we would usually expect more from. But what we've seen from whoa to go in this whole thing has been, as Scott Simpson said, a comedy of errors, a complete stuff-up from beginning to end, and they never, ever owned up to that, even through committee stage, where the Minister—who was giving nice fulsome answers, and I do appreciate that from him—was still dancing around the issue, when he should have just owned up and said, "We made a monumental stuff-up, and here we are trying to fix that up."

The points that we made throughout these first, second, and now third readings is that the Minister had plenty of time to fix up these monumental stuff-ups far earlier than right now, a week before the very first auction, in fact. He admitted that he knew—although we believe it was probably earlier, but he admitted that he definitely knew in September. We had weeks and weeks of House time at that point to be able to bring this to the House and have a far more fulsome debate and much longer committee stage, where we could've had far more input from the public.

Instead, what we got was a process that was highly truncated, rushed through. We hardly heard from any submitters at all, not giving the public the confidence that they deserve in what is a very difficult, complex piece of legislation—probably the most complex piece of legislation that sits in front of this Government. They had the opportunity last year to be able to put this through the House in the proper manner and they didn't. Here we are, just over a week out from the very first auction, and we are still fiddling around with the rules.

Now, we made it very clear all the way through, and I mentioned it in my first reading speech—I said, at that point, when I hadn't had a chance to fully take in this bill, that I did consider that there might be a problem around the Minister, effectively, setting the base price at the auction, and whether or not that was the right thing to do. We again argued those points throughout our committee stage and second reading speeches, where we did say that this is not a pure emissions trading scheme (ETS); this is something that is moving far more towards a carbon tax. Although it's not there, the waters are definitely muddied. What we've ended up with is very much a hybrid situation where we're not quite at pure ETS; we're not quite at carbon tax, but we're certainly moving in that direction. What we're talking about is hundreds of millions of dollars' worth of revenue, which is, effectively, being paid for by the people of New Zealand in many ways, but especially at the fuel pump and through electricity prices.

We have a longstanding principle in this Parliament that it is Parliament that sets the tax rate, not the climate change Minister and not the Government. For that reason, we put up what I thought was a very sensible tabled amendment, argued very well by my colleagues, to say that at the very least—at the very least—the Minister should have to consult with the leaders of the Opposition over the mechanism that he uses, which will eventually determine the price. He decided that that was far too difficult. A simple conversation with the leaders of the Opposition parties was far too difficult. I did point out that there is no skin off his nose and that in the spirit of collegiality around this bill and bipartisan nature of climate change, it was the very least that he could do, and yet he decided not to. So he puts us in a position tonight where we will have to, unfortunately, oppose this bill. It wasn't a big ask. I implored him at the committee stage to reconsider his decision not to support our tabled amendment.

We had the opportunity last year to make a good go of this. We knew that the Minister knew in at least September. We had weeks and weeks to have a good fulsome process around this, yet here we are at the last minute, rushing something through in urgency when we didn't need to be doing it. Even the Minister himself had conceded earlier in the piece that, actually, we could be doing this closer to the third auction; we didn't need to be doing it right now. Something changed his mind. We're not sure exactly who or what, but here we are again at the very last minute, rushing through, under urgency, another bill, another stuff-up from this Government from a Minister who usually has his eye on the ball but clearly does not. It is with great sadness that we cannot support this bill tonight.

**SIMON COURT (ACT):** Thank you, Madam Speaker. Tonight we've heard some wonderful platitudes about the collegiality of lawmaking in this house, and I'm new to Parliament and I must say that I have been impressed by some of the positive behaviours.

What I want to say is that ACT is a party that believes in free markets, private property rights, and we also believe that polluters should pay—they should pay their fair share. Not five times or 10 times or 20 times what our trading partners are paying to mitigate their climate emissions—they should pay their fair share. Even the Climate Change Commission says that New Zealand business should have access to emissions credits, carbon credits, from international sources. Because if we are going to dramatically accelerate our emissions reductions in New Zealand, as the climate change Minister mentioned before, then we have to ask at what cost, and to whom does that cost fall, and why should that cost fall excessively on New Zealand when our trading partners and our competitors—sometimes they're the same, like the European Union or Australia. Why should the cost fall almost exclusively on New Zealand businesses, on New Zealand consumers, and New Zealand taxpayers, when carbon dioxide emissions are a pollutant that affects the planet? It's a global issue, it's not an issue simply for New Zealand to solve.

So what ACT says is that creating a confidential reserve price at auction, while it may go some way towards making the emissions trading scheme (ETS) more functional, in fact simply is another way for the Government to set an artificial price for carbon emissions, and that's an artificially high price that could be five or 10 or 20 times what our competitors and trading partners are paying. And it doesn't need to be that way, because there are mitigations for climate emissions available at much lower cost per tonne than what is available in the New Zealand airshed.

Our international trading partners, in many cases, would welcome a green investment, an environmental investment, an investment in sustainability. The examples that have been offered to us during the select committee process are that of the Amazon rainforest cleared in the 1990s in the most destructive of fashions, devastating land-use changes, loss of biodiversity, sedimentation of major rivers, and destruction of indigenous

communities. There are places like that which would benefit from a New Zealand investment in reforestation. Because it doesn't matter whether we mitigate our climate emissions here in New Zealand or in South America, or anywhere else in the world. What should be available to New Zealand business, New Zealand consumers, and New Zealand taxpayers is an opportunity to mitigate their climate emissions at the lowest possible cost—and the Climate Change Commission agrees. They believe that these international opportunities to mitigate climate emissions should be available to New Zealand.

So looking at our emissions trading scheme and this proposed amendment, very late amendment—an amendment to a scheme that had been in place for over a year and which is due to hold its first auction on 17 March, just a few days' time. This bill was rushed into the House under urgency after a late error, a major concern, was identified, a risk was identified by officials, and a risk that could potentially have quite devastating consequences to the New Zealand Government's coffers, because 4.75 million units currently trading at close to \$40 each is a significant amount of money. We're talking potentially hundreds of millions of dollars, billions of dollars in cash, raised from New Zealand businesses, and then by extension from New Zealand consumers and New Zealand taxpayers, paying at the pump, paying through their food prices at the supermarket, farmers paying through transport and through all the other ways that goods and services get to and from farms and towns and cities and supermarkets and homes—every New Zealander paying.

So when this bill was rushed into the House only a few weeks ago, it had the effect of creating a deep uncertainty and a concern amongst those organisations which rely on the emissions trading scheme so that they can buy New Zealand units and then hand them back to the Government in order to fulfil their climate emission obligations. They came to us. Many of them were only able to submit over Zoom because they couldn't travel to Wellington in the time frames that had been offered to them—just a few days to make submissions. Some of the people who offered their perspective have been involved in the design and establishment of emissions trading schemes going as far as back as the 1980s, when one of the submitters—who has worked at Victoria University developing better public policy—was one of the first people to propose an emissions trading scheme. When that submitter saw what was being proposed, they said, “Look, these minor tweaks aren't enough. They're not going to deliver the functioning emissions trading scheme that we need so that New Zealand businesses can make the right decisions.” Other submitters said, “Look, we don't need a confidential reserve price at all. There is already a floor, there's already a ceiling, and, again, those rails aren't needed. What we need is the opportunity to be able to go outside the New Zealand market and offset our emissions in any way that works, that actually sequesters carbon and stores carbon. We shouldn't be limited by the artificial constraints.”

So we now have the situation in New Zealand where, because of the Government's poorly thought-out climate policies, such as banning oil and gas exploration and signalling that gas has no future in New Zealand beyond 2050, we see a chilling effect in the market. We know that natural gas supplies are dwindling much faster than even the Government anticipated when that proclamation from the steps of Parliament was made in 2018, and that is having a huge and significant effect on electricity prices, which have spiked up to \$500 per megawatt hour in the past few weeks. That is a direct result of the massive amounts of coal currently being imported and burned at Huntly, and that is just to keep the lights on in what looks like it will be a dry and cool winter.

Now, the businesses and the organisations and those concerned environmental groups which submitted on this bill raised genuine objections as to why either the confidential reserve price was unnecessary or it would be just another meddling in the market, another lever that was unnecessary, creating confusion and creating uncertainty. What they are



really asking for is a functioning emissions trading scheme that is transparent, that allows businesses to see in the long term what the likely price of offsetting their carbon emissions is so that they can make better investment decisions.

Some of these businesses who manufacture cement in New Zealand are absolutely vital to our infrastructure and building construction to deliver more homes, to fix the broken pipes, to fix the cities, to unlock transport connections. They want to keep working in New Zealand. If the price of carbon, if the price of buying units through the New Zealand emissions trading scheme gets too high, they will simply shut up shop—we know this; it's called carbon leakage—and they will transfer their production to other facilities. One of New Zealand's former major cement manufacturers, Holcim, based down in Westport, declined to proceed with any further infrastructure investments in New Zealand. They now import all their cement from Vietnam and other locations. That is New Zealand's future: less economically resilient; our communities in the regions gutted as these major industries leave. All of these things are not just a mirage on the horizon; they are likely consequences of poor public policy and poor Government decision-making around climate.

We've heard about the European emissions trading scheme. That is simply a facade. They don't include transport, they still subsidise their farmers to plant hedges, and they call that environmental mitigation. New Zealand has so much more to offer, leading the way with an emissions trading scheme that is truly functional. That's why ACT opposes this bill, because we want a functioning, proper ETS for New Zealand.

**ANAHILA KANONGATA'A-SUISUIKI (Labour):** Thank you, Madam Speaker. It's always a privilege and an honour to stand in this House, but in this particular kōrero about the Climate Change Response (Auction Price) Amendment Bill, I take it seriously to stand and make a short call, because I feel like all has been said tonight, and I want to make a short call. So I want to acknowledge the Minister for his leadership on making it his priority to bring this into the House before 17 March, when the auction kicks off. I want to acknowledge the chair of the Environment Committee for her eloquent leadership of the committee.

We've heard today from the other side that it is a collegial committee and that we are very respectful and understanding of each other in these matters, and then, on the other hand, they disagree with the bill, the final reading. So I'm saddened to hear that we are no longer collegial in that part. I acknowledge that there were over 20 submitters that had made submissions to the select committee, and I want to say thank you for making those submissions, even though, in this unprecedented time, they had to be agile in using technology.

So can I just remind—the purpose of the confidential price is to ensure that a particular auction does not clear significantly below the secondary market price, to ensure the auction does not unduly influence the market. So it went to select committee, and from the select committee it improved the bill. So there are some arguments saying that “Well, we needed more time”, but, actually, the select committee, after hearing from officials, after hearing from submitters—we actually did make some improvements to the bill. It ensures that the Minister, in setting the methodology, consults, when that person is appointed, the independent auction monitor. And if at secondary market the auction goes—the confidential reserve price is not met and they are not sold, the Minister must review it. Well, actually, one step further—the Minister must consult the Minister of Finance, and then, if it's unresolved, the Minister must review it.

So that's what happened at select committee—that we improved the intention of the bill. And as was said by members of the committee, we were all very collegial and we all agreed to it. So I want to thank them for that agreement at select committee. I think that all has been said, and I want to—the words that have been used around indigenous, the

words that have been used around the trees—all those things. The word that comes to mind when we talk about climate change is he waka eke noa. The thing is that in contributing to that, we must—we must—make sure that we set a fair price, that we do not undersell what rightly belongs to everybody. So on that note, I want to commend this bill to the house.

**ASSISTANT SPEAKER (Hon Jenny Salesa):** The next call is a split call.

**Hon EUGENIE SAGE (Green):** Kia ora, Madam Speaker—thank you. Can I thank members of the Environment Committee for the collegial approach to the Climate Change Response (Auction Price) Amendment Bill. I am really disappointed that the National Party is choosing to vote against the bill at this stage, because I had understood that they supported the concept of having a confidential reserve price and that they recognised the benefit that that would bring to the auction system. It does seem, just because of the amendment having failed, they are now voting against it. So that is very disappointing.

I would remind the National Party that while they and ACT are objecting to this bill, it was the major work that Minister Shaw as the Minister of Climate Change did last year with the Parliament to actually rectify the major shortcomings in the emissions trading scheme (ETS) that National had failed to fix—the fact that we had all of these international units coming in, totally undermining the integrity of the emissions trading scheme, so that the reforms that this Government have put through have been about improving the scheme. Everyone recognises—except ACT—that we need a confidential reserve price, so why not support it?

The whole basis of this bill, the basis of the Government's reforms to the ETS, is ensuring that we have a predictable price on emissions so that business can have that stability, can then invest long-term in the technologies and in the manufacturing methods to reduce emissions. Under National, the ETS was not working to reduce emissions. If we are serious about climate change, which this Government is, we needed to reform the ETS, and that is what this Government has done at the earliest opportunity.

This bill, through the introduction of a confidential reserve price, through the changes that the select committee has recommended and that have been put into the bill, having the Minister consult with the auction price monitor, having to review the methodology if the units don't clear because the confidential reserve price means they don't go above the clearing price—these are good changes. This is a good improvement to the ETS. This Government is about being serious about climate change, getting our emissions down, and this bill helps to do that. I commend it to the House.

**Hon DAVID PARKER (Minister for the Environment):** I rise in support of this bill. I want to respond to some of the comments that were made by the ACT member Simon Court. He said he would prefer an emissions trading scheme (ETS) that had no floor price, no ceiling price, linked to international markets. We used to have one, and the ACT Party voted against it. That's how the ETS was originally designed, at a time when Kyoto was still alive. We had a market that was attached to international markets. Now, why that went wrong and why we're not ready yet to re-enter international markets was there was a huge oversupply of units in the world market caused by the fact that the US did not ratify the Kyoto Protocol, and their allowances for their emissions were still in the international system. That was followed by the collapse of the Kyoto Protocol itself and the failure of the successive protocol to set international limits to world emissions. What that meant was that the remaining Kyoto-compliant units that were surplus in the system—sometimes called Russian or Ukrainian hot air—had nowhere to go except the New Zealand ETS, because every other functional ETS in the world banned them from their system.

Now, the National Party cynically allowed that to continue, because it was a rules-based market. But the rules should have been changed given that change in reality,

because for a price-based mechanism to cause the economy to adopt choosing the lowest-cost pathway to reducing emissions, you have to have an effective price. The price went to close to nothing. The price went to close to nothing, and therefore the ETS was nothing but a sham. Therefore, what this new Government had to do—in fairness, Paula Bennett stopped the Russian hot air units coming in, but then they put a price floor in without a cap, which is very unequal. So we've now got to the point where we know that we cannot rely upon international markets, because they're not mature enough.

We also know that if we expose the New Zealand market to those units, the price in New Zealand will be very low and it won't change our emissions profile. That's what the ambition of emissions pricing is to do: expose through that market—and it is a rules-based market—the lowest price mitigation that you can do. You want to do most of it at home, because otherwise what you would end up doing is send cheques overseas and still have the future challenge of reducing New Zealand's emissions. So you'd get to the periods when we made promises and we still wouldn't have reduced our emissions.

So these suite of changes that have been made to the ETS in response to the collapse of the Kyoto Protocol and the oversupply of units internationally have been absolutely the right thing to do. It's right that we have a confidential reserve in an auction. It's really no different to the confidential reserve that the seller of just about any item at auction uses to protect their interests. There are additional protections that the select committee have put in place, which I think are good, and that's the involvement of the Minister of Finance, which others have explained. Accordingly, I think it's clear that this is desirable.

The final point I will make is that there was an error in drafting. We've acknowledged that at the first reading. The Minister has acknowledged that. During the election cycle, when the House had risen, I was one of those who was contacted by people who are active participants in this market, and they recommended to me—and I won't name the person, but I trust their judgment in these matters. They said it was very important for the stability of the pricing mechanism and the long-term effectiveness of the emissions pricing regime that we had a confidential reserve. There are a relatively small number of large participants in this market. It would have been open to collusion between those people in a way that could have disrupted the market. That is not in the long-term interests of New Zealand's emissions reduction market, because that's what this is meant to be. Accordingly, I recommend this bill to the House.

**ANGIE WARREN-CLARK (Labour):** Thank you, Madam Speaker. I rise to take a very brief call in regards to the Climate Change Response (Auction Price) Amendment Bill. Now, we've heard a lot from a lot of people in this House. We've been in urgency for quite some time, so it will be a brief call. However, I do want draw the attention back to climate change, and I want to quote Sir David Attenborough. He said, "Many individuals are doing what they can."—that's many individuals are doing what they can—"But real success can only come if there is a change in our [society] and in our economics and in our politics." I think this is what this bill is doing. It is indicating or heralding a time where we are going to make a change to trending towards a low-emissions economy.

It's so important, because climate change is one of our biggest challenges that we have. We have stood and many of us spoke on the very complex zero carbon bill in the 52<sup>nd</sup> Parliament. I have to say that this is another one of those very pointy-headed parts of legislation that are not necessarily enjoyable when you are participating in the process, but they're really important. They're really important as a price indicator for us all. They're really important about giving some alternative options around the alternatives around finances.

So this bill amends the Climate Change Response Act 2002 and the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020. It is a good bill. It is based on making a real and active change for our society, and I commend it to the House.

**TANGI UTIKERE (Labour—Palmerston North):** Thank you, Madam Speaker. Look, I've been sitting here listening from—

**Andrew Bayly:** Very good.

**TANGI UTIKERE:** Well, yes. I don't know what the other side are doing, perhaps, but over here we're listening and active. And what I would say is that I have been listening from go to whoa, and the contribution that I'll make this evening is that between second reading and third reading, it for me has just consolidated my initial view and contribution from second reading, and that is that this proposed piece of legislation that the House is dealing with this evening will provide value, it will provide currency, and it will provide integrity in the auction process—integrity in the auction process when it concerns units in this country's emissions trading scheme (ETS). But I agree with my colleague Angie Warren-Clark in that, actually, it will help deliver a strong and confident ETS as we head towards becoming that low-emissions economy.

The reality is that this particular bill has actually taken on board the changes that had been suggested by some submitters through the select committee process. That does demonstrate, actually, that the process is working—members on the other side of the House might disagree with that, but that is the stark reality. And I also agree that it means that it has made the bill better.

It's unfortunate then that members opposite feel as though they cannot support the third reading of the bill, because right up to this point, perhaps from some members opposite, that was not the case—

**Hon Member:** Very disappointing.

**TANGI UTIKERE:** Yes it is very disappointing in that sense.

This technical change will be timely, as we head in just over a week for the auction, and I have to say that New Zealand and international markets will be watching us with some interest. So it's important that when that auction does take place, naturally we are in the best possible place as a country, and the confidential reserve price and the methodology that lies behind that will ensure that as well.

So tonight's third reading is simply another step in the journey that is important towards Government working in partnership with individuals, with communities, with businesses up and down the country to tackle the issue that my colleague Tāmami Coffey pointed out: that young people around this country have made very, very clear to us that we need to do something about it. I commend this bill to the House.

A party vote was called for on the question, *That the Climate Change Response (Auction Price) Amendment Bill be now read a third time.*

**Ayes 75**

New Zealand Labour 65; Green Party of Aotearoa New Zealand 10.

**Noes 43**

New Zealand National 33; ACT New Zealand 10.

Motion agreed to.

Bill read a third time.

**TAXATION (ANNUAL RATES FOR 2020-21, FEASIBILITY EXPENDITURE,  
AND REMEDIAL MATTERS) BILL**

**Second Reading**

**Hon DAVID PARKER (Minister of Revenue):** I present a legislative statement on the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill.

Legislative statement published under the authority of the House.

**Hon DAVID PARKER:** I move, *That the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill be now read a second time.*

This bill was first introduced in June 2020, which wasn't long after the national COVID-19 level 4 lockdown. Although this contains measures that are helpful in the economic response to COVID, its main purpose is broader than that. It contains, for example, the annual setting of income tax rates. We, of course, have to do that every year in Parliament in order to authorise the expenditure that is funded through the tax that we collect through the tax legislation.

I'm going to explain some of the other measures but, before I do so, could I thank the Finance and Expenditure Committee for its careful consideration of the bill. There are a number of recommendations as to changes in the bill compared with that which was introduced, which we have adopted. Can I also thank the individuals and organisations who took the time to submit on the legislation. These are extraordinary times that we're living through, but everyone is still trying to do their bit in society, and I think just about everyone accepts that we have to have a tax system that runs efficiently and fairly. So I appreciate the input from accountants, from businesses, from other organisations who helped the select committee come to the conclusions that they came to.

There are a number of integrity measures in this bill to close gaps. Every Government does this where there are gaps identified in the tax statutes. We endeavour to fill them where necessary. In the immediate response to the pandemic, of course, the Government was able to swiftly provide relief to keep New Zealanders in jobs and to help New Zealand businesses stay afloat. Of course, that support was only possible because we've got a strong tax system that was able to fund over time the cost of those measures.

A large part of this bill is about the important task of just carefully managing that tax system up top, holding its integrity, all of which is important to New Zealand's economic recovery. There are measures in the bill which also support and encourage growth, and a good example of that is one named in the heading of the bill relating to feasibility expenditure. The Government's objective is to grow the economy and encourage productive investment, and we had previously heard from businesses that the non-deductibility of feasibility expenditure for ventures that didn't proceed was an impediment to that business investment. The changes to the tax treatment of feasibility expenditure aimed to remedy this aspect of our tax rules, which otherwise can deter productive investment. Businesses looking to innovate and grow might invest funds in determining the practicality of new projects and ideas, and, where that investment doesn't proceed, at the moment in some cases that feasibility expenditure is not deductible—sometimes known as black hole expenditure.

This is one of a number of measures that this Government in the last three-year term has advanced to improve innovation and productive investment. The research and development tax credits are another example, as is the support that we've given to the venture capital investment to try and stimulate capital investment by the private sector in early-stage ventures.

In the case of this feasibility expenditure, this bill proposes to allow deductions for unsuccessful feasibility expenditure, which will in turn encourage business, innovation, and investment. We're proposing that businesses can deduct unsuccessful feasibility expenditure over five years from when the project is abandoned. We think this is a good measure for business and good for our economy, and we weren't surprised that there was broad support for this proposal in submissions.

A feature of the original proposal was to claw back past deductions for unsuccessful feasibility expenditure if an abandoned project was later reinstated. The committee recommended that that clawback period be limited to seven years. We agree that this is practical, because that aligns with the business records rule in the current law. So businesses will have records that go back that far and we agree with that recommendation. The clawback measure is an integrity measure necessary to protect the integrity of the tax system, but we don't really need to go back any further than five years.

On purchase price allocation, the proposal in the bill is another significant integrity measure. The objective of these amendments is that for parties to major sale and purchase agreements to adopt the same sale or purchase price allocation on both sides of the transaction so that their respective tax accounts show the same allocation of price. This is because the purchase price that buyers and sellers attach to assets can have significant tax implications. The mischief that this amendment seeks to address is the incentive that there is sometimes for each side of the transaction to come up with a different allocation, in both cases to advantage their own tax position.

**Hon Michael Woodhouse:** Oh really!

**Hon DAVID PARKER:** "Oh really!", said the former Minister of Revenue.

**Hon Michael Woodhouse:** Oh, they're allowed to.

**Hon DAVID PARKER:** I'm surprised that particular loophole wasn't filled earlier. But the proposal aims to encourage parties to major sale and purchase agreements to agree on the allocation of the sale price, and if they don't, then it sets out rules that must be followed that determine who can allocate the sale price, which must then be followed by both sides.

The Finance and Expenditure Committee has recommended several improvements to simplify the rules. Significantly, they've recommended a delayed application date of 1 July 2021. We agree that more time is needed to allow businesses and their advisers to prepare for the new rules. The committee also recommended repealing the \$100,000 threshold and a significant increase in the threshold that applies to residential property transactions. We agree that for simplicity and so as to remove unnecessary compliance costs, these recommendations are improvements, applying as they do where the scope for tax minimisation is low.

Another integrity measure relates to the taxation of land, and the bill proposes amendments in relation to investment property which we believe are necessary to ensure that the current tax ceilings are fair, balanced, and support productive investment, which will be relatively better off as a consequence of these amendments. Currently, there are exemptions from land sales tax rules for taxpayers who sell their home or business premises. These exemptions are not meant to apply to people with a regular pattern of buying and selling their home or business premises. The bill proposes to make that clearer by extending the regular pattern restriction rules so that habitual buyers and sellers are taxed on their property sales. Again, the committee's recommended a number of improvements to these amendments, clarifying in the legislation the meaning of "significant involvement or control", and also that unoccupied property is within the scope of the Act.

The second to last issue I'll mention relates to Australian retirement savings schemes where New Zealanders have got money invested in them. There's a current gap in the

trans-Tasman retirement savings portability settings which means that some New Zealanders' savings in Australian retirement savings schemes that are held by the Australian Tax Office are unable to be transferred to a New Zealand KiwiSaver account. The proposed measure will remove this barrier to repatriation and, therefore, allow New Zealanders to access their Australian-based savings and bring them over to New Zealand. We know there are many New Zealanders who've lived and worked in Australia and are affected by this issue, and once normal travel resumes, no doubt there'll be more people in that situation. So that's a good thing to fix.

The final measure I want to mention relates to GST on outbound mobile roaming. There's now guidance from the OECD on how we should do this, and this measure looks to modernise the GST rules. Under current rules, outbound roaming by New Zealanders are not taxed for New Zealand GST. Similarly, visitors to New Zealand are generally not subject to GST on roaming services consumed in New Zealand. Now, these rules have become out of step with the updated guidance from the OECD, which has recommended changes that have been adopted in a range of other countries and we're now doing the same thing.

The guidance recommends taxing these services on the basis of a person's residence rather than where they are—their residence—and it's intended to avoid situations of double taxation and to avoid situations of double non-taxation of cross-border services. As I've said, this aligns our rules with OECD guidance and results in GST being charged on all mobile roaming services consumed by New Zealand residents whilst here or abroad.

I'll conclude by saying that maintaining a coherent tax system is important for supporting our economic recovery and helping New Zealanders as the world recovers from impact from COVID-19. Accordingly, I'm pleased to commend this bill to the House.

**ANDREW BAYLY (National—Port Waikato):** Thank you, Madam Speaker. It's a pleasure to be talking on the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill second reading. First of all, I'd just like to compliment that Minister. He's a dynamic Minister. I've got to say that he is so much better than the Minister who introduced this bill into the House back in June last year, the Hon Stuart Nash, who stood there and read the most boring speech about this bill; at least you showed a bit of passion, Mr Parker—and that's what we like to see from a revenue Minister. Just for the record, we will be opposing this bill, as we said at the first reading—and at least we are consistent. I will certainly be talking about why we will be opposing.

But I thought, because the National Party is an optimistic party and we are there for people to get ahead and also are worried about the vulnerable but we are about creating opportunities—so in that vein, I thought I'd just talk about some of the good stuff in this bill. I do just want to acknowledge the officials over here who have worked on this bill. There are some good aspects to this bill. The first one—and probably in reverse order: the issue around the Australian superannuation claim and dealing with that, funds are held under the Australian Taxation Office. That is a good measure and I'm sure that's going to help many New Zealanders because when National gets back in, we will see lots of New Zealanders coming back from Australia and they will want to bring their funds back to New Zealand, because they know under a National Government this will be a thriving economy. That's why they'll be coming back. We're glad that Mr Parker is forward-thinking about that, thinking about the future! So that is a good thing, and certainly we've all heard stories of people who've been affected by that—so that's a very good thing, as I said.

The second thing, I think, is around habitual buying and selling of property. I thought your commentary on this, Mr Parker, just assumed people knew a lot about what we're

talking about. What we are talking about in this section is this situation where people buy and sell property, and they might do it in their personal name—Dr Duncan Webb is buying property in Christchurch, as he does, I'm sure—

**Hon Member:** Yeah, big property magnate!

**ANDREW BAYLY:**—property magnate, yes I know—so you buy it in your personal name. And then, Dr Duncan Webb suggests to his wife, “Maybe we should form a trust.” I'm not suggesting that the good doctor is doing this, but I know he's a professor of laws and he would be the type of person who would have that intellect and that cunning desire to get around his proper tax obligations. So in that situation—and this is hypothetical, of course—Dr Webb might say to his wife, “Well, why don't we form a trust and buy another piece of property?” So it's a Dr Webb and associate, and then he sells that property and then they think, “Well, why don't we buy it through a company?” This is what we're talking about: people who habitually buy and sell property but do it through different structures, whether it's personal name, corporate structure, trust, whatever—and, of course there are many people who have tried to do this. So this is a good measure in terms of how we address that issue.

The other one—and the Minister omitted to talk about this, I think—is the *M. bovis* situation. So many of our farmers around the country, unfortunately, have suffered from *M. bovis* infections of their pride and joy—their cows, particularly, because that's their breeding stock—and that's necessitated them, at the direction of the Ministry for Primary Industries, to have that stock slaughtered. I think it's only fair that because you get a payment assessed by the Government in terms of what your stock are valued at, you get a lump payment. And, of course, for tax purposes that means that you've got big revenue in that year, and, therefore, consequently a big tax bill. As Madam Speaker will know, this is all about fairness and equity and, of course, helping our rural communities, which is vitally important. So what the bill caters for is to allow for that revenue and basically the tax obligation that underpins that to be spread over a number of years so that the farmer is not disadvantaged through the unfortunate introduction of *M. bovis* into New Zealand.

So I said we're opposing it. I think the first thing I've got to say is this bill is another grab for another \$50 million worth of tax—that's what this bill is about. In the bill, there will be another \$50 million going into the coffers of the Government. Most of that, \$45 million, is related to tax, and there's another element—about \$6 million—relating to GST.

We are—I think I'll just deal with the GST, and this is the deal with the roaming fees. This means that if you now are in New Zealand—and when we eventually get these borders open again—and you travel to Australia, you're going to end up paying GST on your roaming costs when you're reporting back to New Zealand. That means that for most New Zealand business people and also for people travelling on holiday it is now going to be a bill that's imposed on them. Now, the revenue expectation out of that is about \$6m; the cost, we understand—conservatively, I suggest—is about a million dollars for the telcos to put that system in place. It is such a small amount of money in the scheme of when we take in about \$85 billion of tax a year, and \$5 million is spent like chump change every day. Just to put it in context: this country borrows about \$115 million every day, and here we are, we've got a piece of legislation saying that we've got to collect the GST on that and make about \$5 million and put the inconvenience of every New Zealander, who, if they're going to travel, the most likely place they're going to go to is Australia—I think that is a pretty weird sort of imposition. It is one that has been delayed, and only this Government has sought to put it through.

The other \$45 million comes from this, what we now call, purchase price allocation. Just technical words that basically mean: if you are buying and selling property, or



property in the wider sense, you, as the vendor, and the purchaser now have to agree how you're going to treat various aspects of that sale for tax purposes. Under the rules that have persisted for long periods of time, what that means is that the vendor works out what works for his or her situation and the purchaser does the same. Now, by making this all come together and requiring the purchaser and the vendor at the time of sale to agree what the basis is for how it's going to be treated for tax purposes, it will generate about \$45 million a year—that's the current estimate.

But there are two stages to it. So if you've got residential property, it only kicks in at over \$7.5 million, which, I think, is sort of a reasonable barrier; that's pretty generous, actually. Where it's, I think, pernicious and, I think, unworkable and where there was a number of submissions from people who know about this stuff, the tax advisers, is where it relates to transfers of other property, non-residential property. The threshold is basically a million dollars. That means that every sale and purchase agreement now has to go through this long, convoluted process of agreeing the tax. Now, most people will sit there and go, "Well, that's pretty fine and dandy." I've bought and sold, advised on buying and selling, business for 25 years. Whenever you have to get tax lawyers involved in the sale and purchase after the point where you think you've agreed all of the terms of the sale and what's going to happen to the staff, what you're going to do with brands, what you're going to do with the hard assets, the intangible assets, the purchase price, the settlement terms, the last thing you want to be doing is having a big scrap around tax. This is what this requires now in a commercial setting, which is far more complicated, multiple times more complicated, than a straight residential sale: that you are going to have to get a tax adviser in, because no one else will know about it. Unless you're Dr Duncan Webb, you will not know the tax treatment, and you will have to have a specialist tax adviser. Even for me, who has been around this for a long, long time, I wouldn't have the competence to do it.

So what we've now done is imposed a big cost on companies. That is why we do not like this clause. We think it's impractical and we're opposed to it and we think that, in time, that limit will have to be increased.

**Dr DUNCAN WEBB (Labour—Christchurch Central):** Tēnā koe e te Mana Whakawā. First of all, to dismiss Mr Bayly's assertions, I am not a property speculator, never have been, and don't propose to be. But to talk about the property price allocations, it's really—I mean, and to suggest that this is some tax grab is so utterly misconceived, because all that this is is to make sure that, as between vendor and purchaser, the assets are dealt with in a tax-consistent manner. It's really very simple.

So if there's a business being sold which is part building, part physical assets—vehicles and what have you—and perhaps some intellectual property—client lists and software—the tax treatment of all of those assets is going to be quite different. We know that people are very careful and plan carefully when they sit down and say to the Inland Revenue, "This is how much I paid for my building, which has depreciated at such and such a rate, and this is how much I paid for software, which has depreciated at a much higher rate, and this is what I paid for a fleet of vehicles"—that there are real tax advantages to be had there.

Now, the fact of the matter is that the way in which they appear on the vendor's books is probably the best measure of their appropriate tax treatment. Having said that, if buyer and seller can agree between themselves what the fair and appropriate allocation of the price across the different asset classes is, then that is where it will sit. Now, we need a good incentive to make sure that the parties do in fact agree, so if they can't reach agreement, then the vendor gets to dictate exactly what the purchase price allocation is and so on and so forth. There are a couple of other steps, and, ultimately, it can be decided by the Revenue itself. But at the end of the day, it's about making sure that assets don't

go through some magical transformation from being intellectual property one day and then land and buildings the next, simply because of the tax treatment and the fact that it's tax advantageous as between buyer and seller.

As regards the question of the \$1 million threshold, I acknowledge—and I should actually just take a moment to say thank you to all of the submitters who came along to the Finance and Expenditure Committee and were very fulsome in their submissions and answered the probing questions of the committee—at least like to think they were—and also to advisers who assisted us in this work. This was one question that came up, as Mr Bayly noted. Residential properties, by and large, are not a taxable asset, and most people who own a residential property aren't paying tax on them, so we can put the threshold very high. But in terms of businesses, small businesses even, whether it be a cafe in the mall or a mechanic shop, they may be being bought and sold for \$700,000, \$800,000, but once they hit that \$1 million threshold, these rules will kick in, as they should, because the tax on those assets—the tax or the tax deductions claimed for depreciation and the like—can be very significant indeed. So it's quite appropriate that there is a threshold there, and \$1 million is entirely right. I must say, I would be surprised if people with businesses like that, who are buying and selling them at the \$1 million threshold, were not getting professional advice already and were not already allocating purchase price in one way or another.

This isn't a tax grab; this is tax consistency. As we know, these remedial matters bills—that's really a large part of what goes on: ironing out the wrinkles to make sure that when assets change hands, the tax treatment remains appropriate; that there's no undue tax planning going on—which, whilst not illegal, is really depriving the nation of the revenue it ought to be getting from those transactions.

So that's just one small part of this bill, and I'm sure some of my colleagues on this side of the Chamber will explore some other parts of the bill. But a very good bill, a good committee process—I think it came out of the committee much better than it went in. This is another great addition to the revenue legislation of New Zealand. I commend it to the House.

**Hon MICHAEL WOODHOUSE (National):** Thank you, Madam Speaker. I want to join with previous speakers in thanking the submitters on this bill. I particularly want to acknowledge and thank the independent tax expert that the Finance and Expenditure Committee relied upon, Therese Turner. I've been on the Finance and Expenditure Committee on and off over the last few years, and she is as sharp an intellect as I think we have had the benefit of advice from, but also there is a candour about her contributions to the discussion that I think is refreshing, particularly on those issues that go against the prevailing preferences and wisdom of the Government. I want to acknowledge the officials. I won't name them, because that would take the rest of the 10 minutes of my speech to do so.

If I can gently rebuke the Inland Revenue Department, about whom I have the highest regard as a former Minister of Revenue and as a lapsed accountant, I do think 27 officials for a taxation annual rates and remedial matters bill is rather excessive. I did comment to my colleague and friend Nicola Willis in one select committee meeting that the arrival of the tax officials looked like the last scene of a Benny Hill show comedy, where they were all coming in, and I wanted to add music to it. There is, I think, a risk that policy advisers and tax officials become a solution looking for a problem, and I think there are a couple of examples of that in this bill.

I want to start with the main principled opposition to this bill, and, in doing so, I'm going to quote Thomas Sowell, one of the world's most renowned economists of the 20<sup>th</sup> and 21<sup>st</sup> centuries, when he said of tax—of inflation, actually—“It is a way to take people's wealth from them without having to openly raise taxes. Inflation is the most

universal tax of all.” We have this issue with what is commonly known as bracket creep. We have a Government that is determined to raise the wages of workers, particularly low-income workers, but the risk is that they are no better off, because the higher the income with inflation at the same time, the higher the tax that they pay, and therefore at best they are no better off and at worst they are worse off.

**Andrew Bayly:** I think we’ve got members who don’t understand.

**Hon MICHAEL WOODHOUSE:** Yeah. Well, it is certainly the lived experience of those people who are moving from one tax bracket to the other through no fault of their own except that inflation is pushing them into those brackets and they pay a higher tax rate. Now, we have a progressive tax system within the broad based - low rate framework that both sides of the House will support, but we cannot support a bill that will have the impact of pushing people into higher tax brackets and to pay greater levels of income tax, through no fault of their own but to be the subject of inflation.

Now, we also have a situation where the Government has engaged in what is known in economic theory as pump-priming. We are in very straitened economic times because of COVID, and we are pushing huge amounts of money into the economy by different methods, mostly Government spending and Government support. Normally, that sort of strategy is associated not only with that kind of fiscal stimulus but with lowering of taxes in order to further stimulate the economy. Not only is this Government not lowering taxes but it has raised the top tax rate to 39 percent. Now, that rate is not the subject of this bill, but we will very shortly, when the 2021-22 annual rates and remedial matters bill is introduced, be debating that very point. So at a time when we should be raising tax thresholds and potentially lowering tax rates, we’re not raising tax thresholds and we’re raising tax rates, and for that reason the National Party certainly cannot support this bill.

Now, there are some good changes, and they were laid out by the Minister, and there are some changes to the bill as it was introduced that I think constitute an improvement. The purchase price allocation framework is problematic, and I think what we will see is tax planners and tax accountants doing pretty well out of this change as they work with their clients to make sure that the tax—not advantages, actually; that tax planning is such that they are not penalised by these changes. There are scenarios where it may well be quite appropriate for the vendor and the purchaser to treat those transactions differently for tax purposes. The vendor, particularly if the assets have been held for a long period of time, will have been subject to different, for example, depreciation rates.

Within my time in this House, the tax depreciation rates on fit-out within buildings have changed demonstrably, and the question is: will there be a scenario where the purchaser and vendor do necessarily have to treat the purchase price and the sale price differently for tax purposes? Probably. What I do say is an improvement—and I appreciate the Government responding to the submitters and the select committee’s call—is that in the bill when it was introduced, the disallowance of a deduction and the valuation of the purchase effectively at nil for all time has been amended by the bill so that where there is a dispute about what the appropriate purchase price allocation should be, then there isn’t a deduction until that dispute is settled. That will certainly motivate people to get a settlement either with the vendor or with IRD, but I think it is some improvement, albeit that I still have those concerns with purchase price allocation.

The area where I think there has been a solution looking for a problem, and the remedial matter that I most strongly object to, is the GST on roaming charges. It’s bad in principle and it’s bad in practice. Now, we’ve had the Goods and Services Tax Act in place for 35 years, and it is held up globally as the most efficient value-added tax framework in the world. Countries are envious of it, and a lot of my former tax accountant colleagues made a lot of money in Australia when the Howard Government introduced their GST some years ago, and in order to be able to placate support parties in the

Parliament, they had to do some ridiculous things, which led to variations in things like raw chicken versus cooked chicken, and bread being GST-exempt but chips not—all sorts of crazy variations. We don't have that. We have a GST on everything except exported goods, financial transactions, and residential rentals. There might be one or two others. I'm sure Ms Edmonds will be able to fill in the gaps.

Global roaming services is an overseas service by a New Zealander who is overseas and a service that is overseas. There is no way in principle that that should be subject to New Zealand's GST regime. When we get off the plane in Australia—and eventually, I hope, we'll be able to do that—we automatically hook into the domestic provider, TelstraClear or whoever it is in Australia. The bill may come through on our local service, but they are the pass-through agents for an overseas supplier to a New Zealander overseas, and there should be no GST applied to that. This is not a good change, and by the Minister's own admission and as mentioned by Mr Bayly, it's only going to generate about \$6 million of revenue. What the telcos here in New Zealand told us was that that pales in comparison to the amount of money they need to invest in their own systems in order to apply a GST regime that, frankly, shouldn't be there in the first place.

Now, when we think about a tax regime being broad based, low rate, and efficient, there's very little efficiency. There's no efficiency in a scheme that means the payers of the tax—or the tax agents, in this case—have to pay more to get those systems in place than the Crown will gain in revenue. For that reason, this part of the bill should not be there. When we get to the appropriate stage in the committee of the whole House, I will be introducing a Supplementary Order Paper that deletes those sections in their entirety. It's punitive, it's wrong in principle, and it won't raise more than a jolt of revenue for the Crown. That said, I look forward to the conversation continuing, but we cannot support this bill.

**BARBARA EDMONDS (Labour—Mana):** Fa'afetai tele lava, Madam Speaker. I move to take a call on the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill. First of all, as part of my contribution, I'd like to thank the independent adviser Therese Turner for her sound and practical advice. Where there are 20-something officials working on a bill, there is only one Therese. So I am thankful for her diligence and, no doubt, the late nights she spent on this bill. But I do also want to acknowledge the 20-something officials who did work on this bill. Having come from a tax policy background, I understand they've got to do Cabinet papers, they've got to do commentary on the bills, they've got to do officials' report, they've got to service the select committee at every point that we need advice. So I totally, absolutely support officials and I thank them for their responsiveness and the advice given on this bill.

To our submitters, thank you. To the many tax practitioners who have submitted on this bill, most of them would have submitted on this bill not because they were being billed to do so but because they understand the integrity, the cohesiveness, and the efficiency of the tax system means that they want to submit on this bill so that the tax system works practically. Again, I thank you so much for your time.

Specifically to the bill, one thing the Minister of Revenue said throughout his speech was “integrity”. It's a really key word in our tax system, and what he said was, even though we're in COVID times, we need to ensure the integrity of the tax system closes the gaps. And that's why we continually review tax legislation. That's why you normally would have two to three omnibus tax bills throughout a year, because as issues arise, you fix them. The purchase price allocation amendments speak to integrity; the amendments to subpart CB of the Income Tax Act, or the land rules, speak to the integrity of the system. Even the most taxpayer-friendly measure in this bill, which is the feasibility expenditure rules, has moments of integrity in it.

Now, speaking specifically to the feasibility expenditure rules, the genesis of these amendments is in the Supreme Court 2016 TrustPower case. The case limited the deductibility of costs incurred to evaluate the feasibility of a project. So under the normal tax rules, if you're incurring revenue, you get an expense deduction. If you have a capital asset, you get a depreciation deduction. But actually, if you're spending money, such as on resource consents to see whether actually a wind farm would be good or not, you don't get those costs deducted. And so that's what this bill speaks to. That's why, since 2016, tax practitioners have been calling on Governments to bring these measures in. So I'm really proud that our Government, as part of our whole COVID response and to help increase productivity and innovation, is bringing in these rules.

The bill, in relation to feasibility expenditure, has a really key integrity measure, and that's called the clawback. So I'm going to focus this next part of my contribution on that integrity measure. So our Finance and Expenditure Committee suggested that, based on the advice from Therese Turner, one of the points that was raised during the submissions was that the wording of the deduction provision appears to allow deduction for indirect costs. Therese suggested to the committee, "I agree with officials that not clawing back all of the expenditure would provide an incentive for businesses to temporarily abandon projects and thereby enable them to claim a deduction that will, in part, not be reversed when the project is re-started." So she agreed with officials and her recommendation to the committee—which therefore we have approved and we are recommending to the House—is that we have that clawback provision.

Another really key change that was made by the select committee in relation to this integrity measure of a clawback provision is to limit that time to around seven years, that clawback deduction. The reason why we chose seven years is because currently, in the tax legislation and the Tax Administration Act, there is a seven-year period for holding your records. The committee believe that it was reasonable to make sure that those rules align with the seven-year clawback. So I stand proud here to be able to be part of a Government that has brought through those feasibility expenditure rules, rules that have been called for since 2016. So I commend this bill to the House.

**Hon JULIE ANNE GENTER (Green):** Tēnā koe, Madam Speaker. Tēnā koutou e te Whare. The Green Party is supporting this bill. I didn't have the privilege of seeing it through the select committee—that was my colleague Chlöe Swarbrick—but I don't doubt what members have said about committee process being excellent and—oh, kia ora, Mr Temporary Speaker. I don't doubt the process. It was good, and I congratulate the officials on all their work, the many officials who did all of the detailed work. This sort of bill comes up pretty much every year to confirm the annual rates and to undertake remedial matters. That's pretty standard. The details of that are different in any given year.

I thought, before speaking to the detail of this bill, I did just want to briefly respond to some of the comments Mr Woodhouse made earlier in this debate about bracket creep. I think it is a legitimate concern, the bracket creep, but it is not mathematically possible that people will be worse off when they move up a bracket, because with the way progressive income tax works, when you move up into a higher bracket, you're paying—let's say you've moved into the over \$70,000 bracket. You're earning over \$70,000 a year, but you're only paying 33 percent on every dollar over \$70,000. So there's no way you could be worse off because of going up a bracket. You're still earning more money than you would be otherwise.

There is a lot of focus, of course, from that side of the House on perceived injustices or difficulties with having to pay more tax. Personally, I think we need to reframe that quite considerably, because, ultimately, tax is what we do together, and what we can do together is so much greater than what we can do as individuals. When it comes to things

like infrastructure, our public education system, and our public health system, none of us can buy that as individuals. But with our collective, shared wealth, we can provide that value to all citizens and residents in New Zealand, and we all benefit from that.

Those who focus on a personal loss are really encouraging a kind of individualism that actually misses out on the fact that the individuals in a society are better off—perfectly exemplified by the COVID-19 response. We couldn't have done that if we didn't have a Government, if we didn't have a public health system, if we didn't have customs, or if we didn't have the ability to pull together resources and set up a managed isolation and quarantine system. We all benefit from the near-eradication of COVID-19 in Aotearoa New Zealand and, of course, none of us could have done that as individuals.

I guess that brings me to the other slight critique. Obviously, what this bill is not doing, which the Green Party would like to see, is bigger moves in the direction of making sure that our tax system is actually fair. I believe earlier in the debate, Andrew Bayly was speaking about the many different ways people can legally avoid tax. He was referring to some of those mechanisms, and it is true. There was a report recently that was released in public that I believe was either IRD or Treasury working together, reporting to Government Ministers on the different rates of tax paid, particularly by high-wealth individuals, and it showed that it was quite likely that 42 percent of high-wealth individuals—that is, millionaires—are paying less than 10 percent of their economic income in tax. Now, that's legal. It's legal that the very wealthiest people in New Zealand are paying a lower rate on their economic incomes than the lowest income earners—the cleaners, the front-line workers who helped us all during COVID—who are barely making ends meet. Now, that's not right, that's not just, that's not fair, and that's not efficient, and although people on the right, in their weird dream world, like to justify this and claim that millionaires shouldn't pay their fair share of tax, in fact they should.

So one thing this bill is not doing, which the Green Party will continue to speak up about, is making the tax system fair. It's just a mathematical thing. Constantly referring to things like punishing people for doing well—no. We're just asking for fairness, and the mathematical reality is that when the rate of return on capital is greater than the growth rate of the economy, then wealth will become concentrated in a smaller and smaller number of people. That's not about values; that's just maths. I know the right struggle with maths, but it is the case.

So this isn't any sort of moralising thing. If you believe in fairness and if you believe in justice, then there has to be redistribution, because it is a mathematical fact that a smaller and smaller number of people will become wealthier and wealthier, irrespective of what contribution they have made to society. It's just maths—look it up. So the Green Party will be here talking about having an actual fair tax system, and to do that, we're going to have to make structural changes which mean that the very wealthiest do contribute a fairer share to the group here in New Zealand—to the team of 5 million—that we all benefit from. We will all be better off when that happens.

**DAMIEN SMITH (ACT):** I rise on behalf of the ACT Party to make our contribution. This taxation bill sets out the rates of income tax for the 2020-21 tax year and has a number of other proposals and remedial amendments that seek to ensure that the New Zealand tax system is fit for purpose. And so, Minister, in a positive contribution, to our thinking, we just wanted to explore some better public policy wraps around what is going on.

So is the system fit? Well, we certainly don't think it's modernised for the future challenges we now face. We don't believe so in the ACT Party. Bad changes in taxation at this stage of the COVID-19 recovery are particularly harmful to the economy and to New Zealanders. We're not in the business-as-usual period, and it's harmful to future prosperity. The Government's tax policies result in fewer skilled people coming to work

here, more skilled people leaving, and therefore potentially an overall reduction in tax take. The attitude towards it is best summed up by the increase in the top tax bracket to 39 percent on incomes over \$180,000. This is not only forecast to raise a small amount of revenue but it can't even be estimated. It will also increase the likelihood of tax avoidance and distortions in the tax system when aligned to the 28 percent corporate tax rate. This will almost certainly reduce the amount of revenue this policy generates while encouraging unproductive behaviour. The policies deliver a blow to the integrity of the tax system and the Government as a whole.

The ACT Party believes that the tax system is sending a negative message both domestically and internationally to people wanting to get ahead and have a go in New Zealand. The Government's tax system is the policy manifestation of a culture of "tall poppy syndrome", and the antithesis of ACT's firm belief—

**Dr Duncan Webb:** Who wrote that?

**DAMIEN SMITH:** —in backing New Zealanders to improve their own lives, Mr Webb. For too long, the tax system has been used for political vote-buying by parties opposite. The current tax system is one of the central reasons that productivity growth is weak and living standards are lower than they should be, and we should expect better. There are some positive steps, though, in this bill: the trans-Tasman retirement savings arrangement, the *Mycoplasma bovis*, and farmers bill, but we have also had some negative impacts, as mentioned earlier, around global warming.

One of the vital things about this piece of work has been the lost super in Australia. I don't think people recognise this, but this is actually a \$2 billion revenue problem. We must allow for greater portability of retirement savings from Australia. Treating the Australian Taxation Office (ATO) as a compliant Australian super scheme points in the right direction, and there are significant moneys being held by the ATO. Finally, we've made good with farmers—amendments to allow taxpayers to spread their taxable income over a six-year period when that income relates to the culling of livestock, to better match the cost of purchasing replacement livestock and the stock recalled, is a very positive and fair outcome for the farming community.

And just to touch on global warming, because I know everybody's done that before, the Government's main mistake here—the estimated \$26 million in Budget 2019; then it's down to \$7 million. And with global travel not coming on board for another two to three years, the best thing for the bill is to take this out due to COVID—either get it treated later in a tax amendment after more industry conversation, or at the minimum we take a position that the date is delayed to 1 April 2024. There are some positive aspects around business and individual taxation at a technical level, and they've been touched on before.

Moreover, this bill does very little to remedy the flawed tax system. Productivity growth, in particular, has been one of the biggest shortfalls of successive Governments on both sides of the House, and our largest public policy failure. According to the draft report from the Productivity Commission on New Zealand firms, "New Zealand's disappointing productivity performance has held back its standard of living for many years."—and that's a direct quote—and "New Zealand's position among OECD countries would be even weaker if not for the relatively long hours ... that people in New Zealand work." The sad thing is that the Government would not even let the Productivity Commission address tax as a tool in their report to be released. How can you have a modernised tax system and not think about the relationship between taxation and productivity and growing the country? Productivity is around 30 percent less than the countries we should compare ourselves with, such as Australia, Canada, the United States, and the United Kingdom. That means it falls to ordinary Kiwis working longer and harder to make up the shortfall, all the while the Government takes more money out of their

pockets. Higher taxes prevent innovation and investment in new technologies, and this will, in the future, be the biggest difference to the lives of all New Zealanders. We need to do better, much better, and we can do better.

If you look at this exercise, it's clear now that a complete overhaul of the tax system needs to occur, with lower, flatter taxes, which drives growth and attracts overseas investments, and makes a tangible difference in the lives of Kiwis. This is a Government that wants to develop a higher wage economy but then disincentivises earnings and make it as hard as possible to get ahead. This Government is seeking to reintroduce the same unimaginative, punitive, divisive tax policy that Labour ushered in under then finance Minister Michael Cullen 21 years ago. New Zealand already has the highest tax to GDP ratio in the Asia-Pacific region and the fifth-highest corporate tax rate in the OECD.

**Dr Duncan Webb:** What about State taxes?

**DAMIEN SMITH:** Excuse me, Mr Webb?

**Dr Duncan Webb:** State taxes.

**DAMIEN SMITH:** No—compared to Australia, we collect less corporate tax revenue on a comparable like-for-like basis. Our corporate tax rate should be not set to buy votes and score political points but to make us more competitive, rather based on common-sense principles such as encouraging overseas investment in New Zealand, which this bill does not even touch on, and discouraging firms from employing methods to avoid paying the higher rates. This would attract overseas companies, create jobs, and create investment in New Zealand. Our closest partners around the world are cutting tax rates to stimulate their economies, and this Government is doing and has done the opposite. It's an act of economic vandalism.

We must be doing better and not worse than our closest partners to have any hope of improving living standards for New Zealanders. We do agree with Labour on one crucial issue: that a capital gains tax, despite how much the Green Party try and tell them to do it, is a giant step backwards. The ACT Party will always support low taxes so we can back New Zealanders to create jobs, create opportunities, create a more dynamic, open, and prosperous New Zealand. Even as an example of today, of Working for Families—we believe that should be abolished in favour of giving people lower taxes for all the hard-working New Zealanders at the marginal rates. We'd like that considered.

ACT's goal is to make New Zealand the most attractive place in the world to earn, to save, and to invest. We want economic growth and opportunity for all New Zealanders and believe that having lower income and corporate tax rates is a part of achieving that goal we all share. For these reasons, the ACT Party will be opposing this bill.

**ANNA LORCK (Labour—Tukituki):** It gives me great pleasure to talk tonight about a particular area of the bill that I believe goes further than just being about good stuff. The Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill shows how the Labour Government is working with farmers. As a member of both the Finance and Expenditure Committee and also a member of the Primary Production Committee, to me it shows that we have a very positive working relationship, and building on those excellent relationships with farmers by engaging at a level with Federated Farmers in a way that I think shows the character of this Government and how we're working with the primary sector. It is important to demonstrate that we are working at a level of listening in both rising to the challenges and responding when it's needed.

Now, this bill came out before I joined Government, and so I had to go and have a look at some of the submissions that were made. And I'm pleased to read the submission on the tax bill from Federated Farmers, who talked in words like this: this proposal is one that we agree with. "Income equalisation will adequately address any extra income caused by the cull of livestock that are held for much shorter periods of time." "The six-year period is appropriate ... over the period of the higher purchase price". It's these types of



things that are coming through from Federated Farmers, talking about a bill that Labour is putting forward.

Now, during the time when farmers were facing the *M. bovis* crisis, they asked for urgent relief. As the Minister of Revenue at the time, Stuart Nash, said, “The Government is offering tax relief to farmers affected by *Mycoplasma bovis* in light of the extra burden created by coronavirus. Farmers whose herds were culled will be eligible to spread their incomes over several years”. The Cabinet in this urgent time have agreed to the law change, but it had to go through Parliament, and this is what we are doing today.

In response to that, Federated Farmers’ national vice-president Andrew Hoggard said that he was grateful that the decision had been made quickly and in the nick of time for the end of the financial year. “Nash and agriculture Minister Damien O’Connor and their officials deserve a great deal of credit for acting in a timely manner”, Mr Hoggard said. “We thank them sincerely on behalf of some very worried farmers.” Federated Farmers general manager of policy and advocacy, Gavin Forrest, said the tax relief applied to farmers was a very good thing and “Anybody that ended up with a tax bill for the increase in the value of their cows on the books, book income that was not associated with the cash income, anybody in those circumstances should get relief from this”. He also said that this was a certainty of relief. These words coming from Federated Farmers to Labour showed, and I reiterate, a working relationship with the farming community that is going from strength to strength.

I would also like to refer to another part of the Federated Farmers submission, where they called on a bit of a suggestion. They asked, for the *Mycoplasma bovis* tax issue, that the proposal should be generic, and in considering this, I’m pleased to report to the House that that submission—that there was strong support for that spread of income as suggested for a more generic provision to cover future biosecurity events. Officials have added that suggestion to the tax policy work programme. It’s evidence like this that shows that we are listening and working with those people that need us at the time when they are facing uncertainty and enormous pressure. I’m proud of the relationship that Labour is building with the primary sector. I’m proud that we are actually working on something that is delivering—and I thought it was great that Mr Bayly called it good stuff like this in the tax bill that’s building on the integrity of what it means to be fair and equal in the tax system. Thank you, Madam Speaker.

**ASSISTANT SPEAKER (Hon Jenny Salesa):** This debate is interrupted and is set down for resumption next sitting day. The House stands adjourned until 2 p.m. tomorrow.

**The House adjourned at 9.59 p.m.**



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## EXPLANATION OF ABBREVIATIONS

1R—First Reading  
2R—Second Reading  
3R—Third Reading  
CWH—Committee of the whole House  
LS—Legislative Statement

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Legislation is listed under BILLS. The name of an originating bill that has been divided into separate bills is shown in *italics* after the names of the new bills.

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