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## **Metals New Zealand submission to the Environment Select Committee on the Climate Change Response (Emissions Trading Reform) Amendment Bill**

Email: [en@parliament.govt.nz](mailto:en@parliament.govt.nz)

Metals New Zealand is pleased to have the opportunity to provide a submission to the Environment Select Committee on the Climate Change Response (Emissions Trading Reform) Amendment Bill.

### **INTRODUCTION**

Metals New Zealand is the pan industry metals sector organisation which represents the eight individual member organisations (listed at the end of this submission).

Metals manufacturing is a high-value sector that employs more than 29,000 people, primarily in small to medium sized businesses located in regional New Zealand.

Our members are committed to playing their part in the transition to a low-emissions and climate resilient future and progress is being made.

As manufacturers of steel and aluminium products, our members are also critical enablers of the transition and to accelerating the circular economy underpinning a resilient and sustainable future.

We support policy that improves certainty for businesses in making this transition. But we need government to create a level playing field with other sectors to enable metals manufacturers to grow and innovate.

Our concern is the Climate Change Response (Emissions Trading Scheme) Reform Bill places an additional burden on our members at a time when we need:

- A fair playing field for New Zealand businesses
- Support for small to medium sized businesses on the journey
- Support to invest in technology which reduces waste and lowers emissions advancing the circular economy
- Support to invest in innovation.

## **A HIGH-VALUE SECTOR**

Metals provides over 29,000 jobs in manufacturing (this excludes the thousands of employees and contractors across building, construction and infrastructure). Jobs in metals manufacturing are generally highly skilled, paying well above average rates of pay with high levels of ongoing trades training.

Metals manufacturing contributes over \$3.3 billion to the NZ economy, according to MBIE's 2018 manufacturing sector report.

Regional economies like Taranaki and Hamilton rely heavily on Metals manufacture. Hamilton for example is the second largest aluminium processing centre in the southern hemisphere – hosting three of New Zealand's four largest extruders, with significant upstream and downstream support industries such as tool making, painting, anodising and window manufacture along with future commitment of over \$16m future investment in glass manufacturing. In the Waikato alone this segment is estimated to contribute over \$1 billion annually, from raw material to boat building, windows, transport and infrastructure.

## **A LEVEL PLAYING FIELD FOR LOCAL MANUFACTURING**

To enable a rapid transition to a circular and low emission economy New Zealand manufacturing needs government to ensure a fair playing field relative to other sectors and relative to products manufactured in other jurisdictions.

Currently, manufacturing is poorly supported. There are over 3,000 employees in MPI serving the needs of our primary sector, compared to MBIE's manufacturing team of around three or four people.

MPI also has a programme on regenerative agriculture, with an advisory team supporting farmers to assist in their transition to a lower emission pastoral sector. There is no such support for metals manufacturing.

Significant funds are invested in research into the primary sector of which 80% comes from the Crown. By contrast, 80% of the significant research into manufacturing is funded by manufacturers.

Trade policy also disadvantages our members. Imported metals products are generally purchased due to lower cost and generally with little to no information on the product's embodied carbon along with wider environmental and humanitarian impacts and stewardship.

Substandard imported products and materials also impact our construction sector, delaying major new projects and seeing owners of some recently built buildings facing significant refurbishment costs owing to failure of cheap imported materials.

Local manufacturing needs fairness and equity from government relative to other sectors to accelerate the circular and low emissions economy. This includes equitable funding programmes to support all sectors of our economy to make the transition.

We ask:

- has government considered how the cumulative effects of proposed policy changes and the potential changes to future energy pricing will affect the competitiveness of New Zealand’s manufacturing businesses? For example steel production is global and importers of steel do not incur a carbon cost, unlike local steel. what mechanisms will government use to stop carbon leakage, as purchasing moves off shore to cheaper “non carbon levied” alternatives?

Government policy changes need to deliver certainty for local manufacturing, particularly where significant investment will be required to transition to a circular and low emission environment.

### **WHAT WE ARE DOING**

Progress is being made in the sector to address carbon and to advance the circular economy for New Zealand. For some it is extremely difficult, for others it is more straight forward.

The reality is that carbon is still central to large-scale steel production, both in NZ and worldwide – and as Climate Change Minister James Shaw has pointed out, there is not yet a commercially viable carbon-free alternative – though positive progress is being made with the HYBRIT initiative in Sweden using hydrogen-based technologies. New Zealand researchers at the MacDiarmid Institute are working to develop production processes of steel and vanadium, from New Zealand iron sands without CO<sup>2</sup> emissions. Metals New Zealand acknowledges government support, via the Endeavour fund for this research.

New Zealand Steel is committed to reducing emissions, targeting a 1% reduction in CO<sup>2</sup> per tonne of steel every year to 2030. New Zealand Steel’s progress on recycling scrap has been significant in recent years, up from recycling 70,000 tonnes three years ago to 120,000 tonnes in the last year – 18% of its current steel production, significantly extending the life of the raw material stocks. The plant is also operated to high environmental standards with ISO certification, Environmental Product Declarations and reuses or sells around 80% of its co-products - including generating around 60% of its energy on-site from off gases.

At the other end of the metals value chain we have an engineering business in Nelson, Kernohan Engineering, have become certified carbon zero over the last year working to reduce their emissions where possible and then to offset those remaining emissions.

### **METALS IS A CRITICAL ENABLER OF THE LOW-EMISSION, CIRCULAR ECONOMY**

New Zealand needs local metals manufacturing, to successfully transition to a low emission, circular economy by 2030 / 2050.

The major investment required in resilient infrastructure, renewable energy, transport and housing will continue to rely on high strength metals. Metals continues to lead in the design and fabrication of structures resilient to seismic and fire.

New Zealand should transition to a circular and low emission economy using high- quality New Zealand metals whose footprint we can trust, supporting high-value jobs and manufacturing businesses which continue to be the backbone of our regional economies.

### **MAINTAINING INTERNATIONAL COMPETITIVENESS AND REDUCING CARBON LEAKAGE**

The Bill proposes a phase down of the industrial allocation. To ensure New Zealand producers remain internationally competitive and carbon exposure doesn't "leak" off shore, government either needs to:

- introduce instruments, (such as a tax on the carbon component of imported products like those manufactured in New Zealand) or
- to maintain the industrial allocation until the time that there are international agreed instrument to tax carbon, or until New Zealand's major trading partners have similar carbon charges to New Zealand.

Failure to do so will undermine New Zealand's competitiveness and divert investment to less "costly" carbon jurisdictions.

### **SUMMARY**

To successfully transition to a circular economy New Zealand needs to continue to rely on a vibrant metals manufacturing sector which delivers high value jobs in our regions, and continues to be a significant contributor, not just to GDP but across all four capitals of the Living Standards framework.

The sector is making progress. Metals manufacturers are a critical component of the transition to a circular and low emission economy and government needs to develop a more equitable framework to facilitate metals manufacturing to enable New Zealand's transition to a circular, low emission economy as speedily as possible.

### **Please acknowledge receipt of this submission**

Nick Collins  
CEO Metals New Zealand

[nick@metals.org.nz](mailto:nick@metals.org.nz)

## Metals New Zealand member organisations:



The New Zealand Heavy Engineering Research Association (HERA) was established in 1979 as a non-profit research organisation dedicated to serving the needs of the metals-based industries in New Zealand. Its membership consists of approximately 600 companies representing metals-based fabrication and manufacturing companies, the associated design and consulting industry, related education providers, and the supporting material supply and services industry. HERA is base funded through an industry generated R&D contribution in the form of a levy on heavy steel and welding consumables administered by the Heavy Engineering Research Levy (HERL) Act. HERA's current research is in the areas of steel construction, general heavy engineering industry development and welding fabrication innovation. HERA works with other research providers such as universities, independent research organisations and CRIs to deliver its programmes.

[www.hera.org.nz](http://www.hera.org.nz)



Steel Construction New Zealand Inc. (SCNZ) aims to advance the interests of New Zealand's diverse steel construction industry by promoting the benefits of steel solutions in building and infrastructure projects. Members include manufacturers of structural steel and steel products, distributors, fabricators, designers, detailers, galvanisers, and paint and building supply companies. SCNZ provides its members with technical advice on the latest in steel design trends and standards, networking opportunities, and a representative voice with key industry and Government decision-makers.

[www.scnz.org](http://www.scnz.org)



Casting Technology New Zealand (CTNZ) aims to be a major contributor to the success and prosperity of the metal casting industry. The organisation is an advocate for maintaining high industry standards and encourages members to participate in quality training programmes. It provides a network for technical and business activities among its membership at national and international levels. At a Government level, CTNZ keeps abreast of legislation relevant to the metal casting industry and, importantly, represents the industry's position on issues affecting the sector.

[www.castingtechnologynz.org](http://www.castingtechnologynz.org)



The New Zealand Metal Roofing Manufacturers Association Inc. (NZMRM) represents companies that roll-form steel and other metals for roofing and cladding purposes. Commonly known as 'Rollformers', NZMRM has 30 member companies. Members are involved in producing a wide range of profiled product, both painted and unpainted. The Association is active in the development and promotion of industry standards, and in conducting research that promotes the use of metal roofing and cladding.

[www.metalroofing.org.nz](http://www.metalroofing.org.nz)



Formed in New Zealand and Australia in 1982, the National Association of Steel-Framed Housing (NASH) is an advocate for all forms of low and medium rise steel-framed construction. NASH represents the interests of suppliers, practitioners and customers of steel-framing systems, and provides a representative voice for the sector at Government level.

[www.nashnz.org.nz](http://www.nashnz.org.nz)



The New Zealand Stainless Steel Development Association (NZSSDA) was formed in 1998 to promote and develop the stainless steel market in New Zealand. Its members include engineers, architects, fabricators, merchants and end-users with an interest in the supply or application of stainless steels. NZSSDA supports and encourages technical excellence in the industry and provides specialised training courses on stainless steel for the New Zealand market.



New Zealand's major aluminium extrusion companies work collaboratively, (supported by Metals NZ), on areas of common interest which include fair and free trade, non-conforming products, government procurement and sustainability.



The Sustainable Steel Council (SSC) was reconstituted by Metals NZ, HERA, SCNZ, NZMRM, NZSSDA, NASH, New Zealand Steel, Fletcher Steel and Steel and Tube in 2018. Members of the Sustainable Steel Council are committed to a vision where steel is valued as a critical enabler in New Zealand's journey to a low emission economy. The vision is achieved by a financially sound industry taking leadership in delivering to the living standards framework, measured across human, social, natural and financial / infrastructure capitals.



