Guidance on investment decision-making in relation to the Emissions Reduction Plan - summary

Background

The Government Policy Statement on Land Transport 2021 (GPS 2021) lists climate change as a strategic priority and expects all National Land Transport Fund (NLTF) investment decisions to be consistent with the transport component of the Emissions Reduction Plan (ERP).

The ERP was published in May 2022 and sets out how Aotearoa New Zealand will meet the first three emissions budgets, to contribute to the long-term aim of reaching net zero long-lived gases (expressed as million tonnes of carbon dioxide equivalent (Mt CO_2-e)) by 2050.

Emissions budget period	Transport sector emissions (Mt CO_2-e)
First emissions budget (2022–25)	65.9
Second emissions budget (2026–30)	76.0
Third emissions budget (2031–35)	56.8

The ERP includes actions, initiatives, and the following sub-targets for the transport sector.

The four ERP transport targets are:

- Target 1: Reduce total kilometres travelled by the light fleet by 20% by 2035 through improved urban form and providing better travel options, particularly in our largest cities.
- Target 2: Increase zero-emissions vehicles to 30% of the light fleet by 2035.
- Target 3: Reduce emissions from freight transport by 35% by 2035.
- Target 4: Reduce the emissions intensity of transport fuel by 10% by 2035.

GPS 2021 does not require that every transport investment reduces emissions, as there are other strategic priorities, such as safety, improving freight connections, and better travel options.

ERP-related investment decision-making process

The following is a summary of the process to help Waka Kotahi staff to assess whether proposed investments within the remainder of the 2021–24 National Land Transport Programme period are consistent with the ERP.

Step 1: Determine whether a decision is on a new investment

Only 'new' investments are required to be consistent with the ERP and proceed to step 2. These include investments to develop a business case, next-phase funding requests to invest in pre-implementation, property and/or implementation, and material (>5%) cost scope adjustments.

Investments that are not considered a 'new investment' are decisions made before May 2022, and minor (<5%) cost scope adjustments relating to previous decisions.

Investments in emergency works are not required to be assessed for consistency with the ERP.

Step 2: Undertake a high-level screen based on activity class

A high-level screen based on activity class creates an assumption about which type of investments could potentially increase light vehicle kilometres travelled (VKT) or emissions and therefore require a greater level of analysis. Focus is particularly on investments in the state highway improvements and local road improvements activity classes.

Step 3: Assess how the investment contributes to the relevant targets in the ERP

An assessment is made based on available data on an investment's impact on light VKT and/or emissions. If the impact of an investment is expected to increase light VKT or emissions then, subject to other relevant factors, it is considered as inconsistent with the relevant targets in the ERP. Other factors that may be considered in determining consistency with the ERP include:

- the impacts of other planned activities, such as road pricing etc, that could be used in conjunction with this investment
- whether the investment is part of a broader programme that reduces light VKT and/or emissions
- the location of the investment,
- how this activity fits within a VKT reduction plan/programme, and
- the next best alternative.

If an investment is of a type that does not impact light VKT or emissions, or is expected to reduce light VKT or emissions, then it should be considered as consistent with the relevant targets in the ERP. However, for significant investments, consideration should be given to whether the activity is carrying out an adequate role in the context of a VKT reduction plan/programme.

Step 4: Assess if the investment is consistent with the relevant actions and initiatives in the ERP

An investment that relates to a specific transport action/initiative in the ERP must be consistent with that action/initiative. A key action relating to investment in the ERP is to integrate land-use planning, urban development and transport planning and investments to reduce transport emissions. The key initiatives relating to investment require new investments to demonstrate how they will contribute to emissions-reduction objectives (see step 3) and to consider adaptation to climate change – they should seek to maximise climate change adaptation co-benefits and efficiencies when reducing emissions, consider mitigation and adaptation in tandem, and reduce the risk of stranded assets and/or sunk investment.

Assessment of an investment regarding these adaptation initiatives can be performed by considering a climate change adaptation framework.

Step 5: Assess if the investment is consistent with the ERP

Based on the assessment undertaken in steps 3–4, an investment can be considered consistent with the ERP if it is consistent with the relevant targets and the relevant actions or initiatives in the transport chapter of the ERP.

If an investment is not consistent with the relevant targets and/or any relevant initiatives in the ERP, it should proceed to step 6.

Step 6: Assess consistency with the GPS as a whole and other legal requirements

An investment that is inconsistent with the ERP may only be made if it is justified by its contribution to the GPS as a whole and/or other legal requirements. Requirements in the GPS include giving effect to the other three strategic priorities (safety, improving freight connections and better travel options), delivering government commitments, and lead investment required to help provide access to serviced land for housing development in high growth urban areas.

Other relevant legal requirements include those contained within the Land Transport Management Act 2003, the Resource Management Act 1991, and the National Policy Statement on Urban Development.

Step 7: Where appropriate, consider how to reduce the impact on light VKT and emissions

There may be an opportunity to consider a change in scope or add a condition to align with the relevant targets if an investment is assessed as inconsistent with the ERP.

Step 8: Make an investment decision

An investment can be declined, approved, or approved with conditions (such as an amended element to ensure consistency with the ERP). Decision makers should make it clear whether the decision is consistent with the ERP.

If an approved investment is not consistent with the ERP, decision makers should transparently provide the reason(s) for its approval as they relate to the GPS as a whole and/or other legal requirements.

If an investment decision cannot be made, this may provide an opportunity to explore other ways to reduce the impacts on light VKT and/or emissions.

Further information

The complete guidance and process is available on our website.
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