



Cabinet

Minute of Decision

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Emissions Reduction Plan: Meeting New Zealand's Emissions Budgets

Portfolio **Climate Change**

On 20 December 2021, following reference from the Cabinet Economic Development Committee, Cabinet:

- 1 **noted** that in August 2021, Cabinet agreed in principle to broadly accept the Climate Change Commission's (the Commission) advice on emissions budgets based on its assessment that the emissions budgets were ambitious but achievable [CAB-21-MIN-0320.01];
- 2 **noted** that the emissions reduction plan has been informed by consideration of the Commission's recommended policy direction, which was published in May 2021, and will also be further informed by the results of the public consultation that occurred over six weeks during October and November 2021, and outstanding initiatives from the Climate Action Plan 2019;
- 3 **noted** that New Zealand is not currently on track to meet its domestic 2050 emissions targets;
- 4 **noted** that having the right mix of actions to meet emissions budgets and emissions targets is important, and that international best practice and New Zealand circumstances support a coherent strategic package, comprising a mutually supportive and balanced mix of emissions pricing, well-targeted regulation, tailored sectoral policies, and direct investment;
- 5 **noted** that the Commission designed its recommended emissions budgets to have a balance of gross emissions reductions and emissions removals, presenting three alternative pathways to demonstrate that they could be achieved affordably and equitably;
- 6 **noted** that the Commission's analysis and advice on emissions budgets, and a number of its key recommendations, together add up to a clear shift away from the past heavy reliance on carbon sequestration in forests (to reduce net emissions), towards a much stronger focus on the gross emissions reductions needed to meet New Zealand's net zero target for 2050 and beyond;
- 7 **agreed** that, to meet proposed emissions budgets, the emissions reduction plan should consist of an integrated package of strategies, policies, and measures, including the New Zealand Emissions Trading Scheme (NZ ETS), a range of cross-sector measures, and the alignment of system settings;

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11 **noted** that the estimated abatement of current proposed policies for inclusion in the emissions reduction plan still fall short of the proposed first emissions budget;

12 **noted** that recent quantification has increased the estimated emissions reduction potential of proposals for new polices to between 4.5 and 9.0 MtCO₂-e, with an additional 3.0 MtCO₂-e of reduction due to the expected closure of the Marsden Point oil refinery (the refinery) (assuming this occurs);

13 **noted** that the gap to meet the first emissions budget has reduced to 1.1 MtCO₂-e, assuming a high level of policy impact and excluding the refinery closure (if the refinery closure was included, then the first emissions budget would be over-achieved by 1.9 MtCO₂-e);

14 **noted** that the sufficiency of policies to achieve the first, and subsequent, emissions budgets will be re-evaluated in March 2022 and again for the final plan in April 2022;

15 **noted** that there are, and will remain, high uncertainties around all future emissions projections and policy impact estimates, and that the sufficiency of policies in the emissions reduction plan cannot be fully determined in advance;

16 **noted** that, as previously agreed by Cabinet, in light of the risks and uncertainties around meeting emissions budgets, strong monitoring and effective corrective action will be needed on an ongoing basis over the life of each emissions reduction plan;

17 **noted** that, given the size and scale of the transition required, proposals on policies and measures to be included in the emissions reduction plan will be presented to Cabinet in a series of papers during February and March 2022, followed by final approval of the full emissions reduction plan in April 2022;

18 **noted** that policy decisions in February/March 2022 may include new policy proposals arising from consultation or further policy development, s 9(2)(f)(iv) [Redacted]

19 s 9(2)(f)(iv) [Redacted]

20 **noted** that when the final emissions reduction plan is published, the government also intends to provide a detailed response to the Commission’s recommendations;

21 **noted** that since Cabinet first agreed to Ministerial and agency responsibilities for delivering the emissions reduction plan in April 2021, several new chapters have been added and the scope of one chapter has widened;

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22 s 9(2)(g)(i) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

27 **noted** that sector sub-targets can be used as a tool for monitoring and managing the implementation of the emissions reduction plan;

28 **agreed** to use sector sub-targets to measure the progress of each sector towards meeting the emissions reduction plan, enabling corrective action to be managed across the whole programme;

29 **noted** that a paper is expected to be submitted to Cabinet in February 2022 outlining how to hold Chief Executives of agencies accountable for sector sub-targets relevant to their agencies, while also being responsible as a group of Chief Executives;

30 **agreed** to calculate sector sub-targets based on the Commission’s demonstration pathway;

31 **noted** that there are large future uncertainties in projections and policy impacts that are magnified when disaggregated by sector;

32 **agreed** to set sector sub-targets for the first emissions budget period and set provisional sub-targets for the second and third emissions budgets;

33 **noted** that sector sub-targets are not intended to bind the Crown;

34 **agreed** to set sector sub-targets for the first emissions budget and provisional sector sub-targets for the second and third emissions budgets, as follows:

Sector (All gases, net (AR5), expressed in MtCO ₂ -e)	First emissions budget (2022-2025)	Second emissions budget (2026-2030)	Third emissions budget (2031-2035)
Transport Energy	65.9	76.0	56.8
Energy and Industry	70.1	72.8	63.3
Agriculture	159.4	191.0	183.0
Waste	13.7	14.9	12.7
F-gases	6.8	7.5	5.9
Forestry	(24.9)	(55.2)	(79.6)
Total	292.0	307.0	242.0

- 35 **agreed** that the proposed approach towards sector sub-targets, including the proposed calculation methodology, will be brought back to Cabinet for confirmation as part of the emissions reduction plan in April 2022.

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces DEV-21-MIN-0277. Cabinet agreed to amend paragraph 19 to add the Minister for Trade and Export Growth.

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