



Cabinet

Minute of Decision

McGuinness Institute title:
[CAB-22-MIN-0148] Setting
emissions budgets for 2022-2025,
2026-2030 and 2031-2035

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Setting Emissions Budgets for 2022-2025, 2026-2030 and 2031-2035

Portfolio Climate Change

On 19 April 2022, following reference from the Cabinet Environment, Energy and Climate Committee, Cabinet:

- 1 **noted** that the Minister of Climate Change (the Minister) must decide and notify the first set of three emissions budgets for the periods 2022-2025, 2026-2030 and 2031-2035 by 31 May 2022;
- 2 **noted** that the Minister is the statutory decision-maker under the Climate Change Response Act 2002 (CCRA) for setting emissions budgets, and that it is the Minister who is responsible for meeting the emissions budgets;
- 3 **noted** that the Minister has considered the purpose of the CCRA and a range of matters, including under sections 5W, 5ZB and 5ZC of the CCRA as required, to inform the Minister's decision-making in setting the final emissions budgets;
- 4 **noted** that the purpose of the paper under CAB-22-SUB-0148 is to seek Cabinet's final consideration of the Minister's proposed decisions;
- 5 **noted** that on 23 August 2021, Cabinet agreed that it was timely to take a decision in principle on emissions budgets, to help clarify the government's intentions for its forthcoming consultation over the contents of the emissions reduction plan [CAB-21-MIN-0320.01];
- 6 **noted** that on 23 August 2021, Cabinet agreed in principle to broadly accept the Climate Change Commission's (the Commission) recommended emissions budgets, but with a departure from those recommendations to take account of revised forestry projections resulting from new information (from a survey commissioned by the Ministry for Primary Industries), as follows (rounded up to the nearest megatonne of carbon dioxide equivalent) [CAB-21-MIN-0320.01]:

In-principle emissions budgets	Emissions budget 1 2022 – 2025	Emissions budget 2 2026 – 2030	Emissions budget 3 2031 – 2035
All gases, net (AR5)	292 Mt CO ₂ -e	307 Mt CO ₂ -e	242 Mt CO ₂ -e

7 **noted** that:

- 7.1 there was an error in how this information was interpreted and reported to Cabinet at the time;
- 7.2 increased emissions in the first budget period 2022-2025 were attributed to emissions generated in the early stages of planting forests, when in fact the major part of the increase was due to revised estimates of deforestation;
- 7.3 the misdescription, referred to in paragraph 7.2 above, does not change the overall projections;

8 **noted** that the underlying rationale for adjusting the Commission’s recommended emissions budgets was to take account of all the new forestry information but, as a result of the error, Ministers were not aware the change in the first emissions budget period was driven by deforestation;

9 **noted** the Minister’s view that it is not valid to ‘relax’ the emissions budgets to take account of greater than anticipated deforestation;

10 **noted** that the Minister intends to make further changes to the proposed emissions budgets, as consulted upon, to remove an allowance for 2 Mt CO₂-e of deforestation in those future periods as outlined in the table below:

	Emissions budget 1 2022 – 2025	Emissions budget 2 2026 – 2030	Emissions budget 3 2031 – 2035
All gases, net (AR5)	290 MtCO ₂ -e	305 MtCO ₂ -e	240 MtCO ₂ -e

11 **noted** that achieving the emissions budget of 290 Mt CO₂-e for the first emissions budget period would require a further 2 Mt CO₂-e of abatement;

12 **noted** that since August 2021, Ministers and officials have made considerable progress in identifying additional measures and increasing the estimated impacts of policies for inclusion in the emissions reduction plan;

13 **noted** that analysis indicates that the proposed policies and measures have sufficient potential to achieve the reductions required in the first budget period and beyond;

14 **noted** that Cabinet consideration of the final draft of the emissions reduction plan, including all policy decisions taken through to March 2022 and a comprehensive response to the Commission’s advice and detailed recommendations, is being sought separately, with a view to its public launch on 15 May 2022;

15 **noted** that under the CCRA, once finalised by the Minister, the emissions budgets must be notified in the Gazette, presented to the House of Representatives by the Minister, and be made publicly available at the direction of the Minister;

16 **noted** that under the CCRA, the Minister must also provide a response to the Commission’s recommendations and specified related advice on emissions budgets, and that this response must also be presented to the House of Representatives by the Minister and be made publicly available;

17 **noted** that the Minister’s final response to the Commission will be subject to close scrutiny, including by the Commission and by select committee;

- 18 **noted** that the Minister anticipates sharing information on emissions budgets with the Commission ahead of public release for the purpose of allowing the Commission to provide the next stage of its advice on New Zealand Emissions Trading Scheme settings.

Michael Webster
Secretary of the Cabinet

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