

In-Confidence

Office of the Minister of Climate Change

Cabinet**Emissions Reduction Plan: completion and launch of the first Plan****Proposal**

- 1 This paper informs you about the attached emissions reduction plan (the Plan) which I have drawn together in order to meet my statutory responsibilities under the Climate Change Response Act 2002 (CCRA). The Plan is the culmination of the policies and actions that Cabinet has considered and agreed in recent months, as well as existing actions in the planning and infrastructure sectors.
- 2 Subject to any final changes prior to publication, I will publish the Plan in the New Zealand Gazette and present a copy to the House of Representatives. The Prime Minister and I will launch the Plan publicly prior to the 31 May 2022 statutory deadline.
- 3 This paper also provides you with an overview of implementation details, including timing of release, and communication and ongoing management of the Plan.

Relation to Government priorities

- 4 The Government declared a climate change emergency on 2 December 2020. In considering this declaration, Cabinet agreed that climate change “demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge” [CAB-20-MIN-0503 refers].
- 5 Enabling an equitable transition to a low-emissions, climate resilient future is also a Government priority. This was emphasised by Cabinet when they declared their intention to “put the climate at the centre of government decision-making” and agreed that “climate change requires decisive action by all levels of government, the private sector, and communities” [CAB-20-MIN-00503 refers].
- 6 The Plan also gives effect to the Labour and Green Parties’ Cooperation Agreement to achieve the purpose and goals of the CCRA.

Executive Summary

- 7 The Climate Change Response (Zero Carbon) Amendment Act 2019 (amendment Act) established a framework to enable New Zealand to reach net-zero long-lived greenhouse gas emissions by 2050 and reduce emissions

of biogenic methane to 10 per cent from 2017 levels by 2030 and by 24 to 47 per cent from 2017 levels by 2050.

8 Under the CCRA, by 31 May 2022, as the Minister of Climate Change (the Minister), I am required to:

8.1 decide and notify the first set of three emissions budgets for the periods 2022-25, 2026-2030 and 2031-2035, and

8.2 publish a Plan that sets out the policies and strategies for meeting those emissions budgets.

9 This Plan builds on Cabinet's collective commitment to climate action. Over recent months, Cabinet has considered and agreed to a suite of strategic policy papers addressing the CCRA requirements and has made decisions on relevant policies and actions. These papers are listed in Appendix 1. I have formed the Plan drawing from these decisions.

10 The Plan is a major step towards achieving our 2050 targets, and the goals we have committed to in the first set of emissions reduction budgets [CAB-22-MIN-0148 Setting emission budgets for 2022-2025, 2026-2030 and 2031-2035 refers].

11 The Plan outlines the role that Government will play in getting the right system settings, making change and supporting innovation. The Plan therefore covers both systems settings and policies and actions within specific sectors, working with communities and the private sector. It will be the actions of businesses, local government, communities, whānau and individuals on the ground that will reduce emissions.

12 The Plan is multi-year, covering multiple fiscal years. As such, it includes policies and actions that are ready to implement now, as well as foundational work to drive change in the emissions budget periods.

13 I am confident that the package of policies and measures in the Plan can realistically achieve our emissions budgets. Achieving the first emissions budget of 290 Mt CO₂-e for 2022-2025 will be tight, with the package of policies in this Plan expected to fall just under this first emissions budget. This means the Government and responsible Ministers need to continually look for opportunities to ensure we meet the emissions budget.

14 Meeting the emissions budget will require:

14.1 determined implementation;

14.2 adequate funding;

14.3 an adaptive approach to tracking progress and taking early corrective action;

14.4 positive Treaty partner and public support and private sector contributions; and, potentially

- 14.5 developing and implementing additional emissions reduction policies.
- 15 Planning for initial implementation of the Plan is well underway:
 - 15.1 an extensive communications strategy is focused on a mid May launch;
 - 15.2 cross-agency governance and accountability for the Plan will be coordinated by a new interdepartmental executive board (IEB);
 - 15.3 a monitoring and reporting framework is being developed; and,
 - 15.4 I will report back to Cabinet in quarter four of 2022 with a proposal outlining an ongoing implementation plan.

Background

- 16 In 2019, the amendment Act introduced the Zero Carbon Framework. This:
 - 16.1 set a domestic emissions reduction plan in legislation for the first time;
 - 16.2 introduced emissions budgets - interim targets that step progressively towards the 2050 domestic target; and,
 - 16.3 required emissions reduction plans that set out the policies and strategies for meeting emissions budgets.
- 17 The first emissions budget period runs from 2022 to 2025, with subsequent emissions budget periods covering a period of five years each. The CCRA requires that, by 31 May 2022, a Plan to meet the first emissions budget:
 - 17.1 be published in the Gazette;
 - 17.2 be made publicly available; and,
 - 17.3 be presented to the House of Representatives.
- 18 I brought a separate paper to Cabinet seeking consideration of the first three emissions budgets, in line with the requirements of the CCRA titled *Setting emissions budgets for 2022-2025, 2026-2030 and, 2031-2035* [CAB-22-MIN-0148 refers].
- 19 The CCRA sets out specific requirements for the preparation of a Plan and what it must include. A Plan must be prepared considering:
 - 19.1 advice from the Commission for achieving emissions budgets; and
 - 19.2 adequate consultation with sector representatives, affected communities, and iwi and Māori.
- 20 The CCRA also requires that a Plan include:
 - 20.1 sector-specific policies to reduce emissions and increase removals;

- 20.2 a multi-sector strategy to meet emissions budgets and improve the ability of those sectors to adapt to the effects of climate change;
 - 20.3 a strategy to mitigate the impacts that reducing emissions and increasing removals will have on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action; and,
 - 20.4 any other policies or strategies that the Minister considers necessary.
- 21 The Plan is built on Cabinet's collective commitment to action on reducing emissions. Over recent months, Cabinet has considered and agreed to several strategic policy papers addressing the CCRA requirements and has made decisions on relevant policies and actions. These papers are listed in Appendix 1. I have formed the Plan drawing from these decisions.

Analysis

The Plan will set the direction for New Zealand's transition to a low-emissions, climate-resilient economy

- 22 The Plan represents a major step towards achieving the goals we committed to with the Amendment Act, to reach net-zero long-lived greenhouse gas emissions by 2050 and reduce emissions of biogenic methane to 10 per cent of 2017 levels by 2030, and by 24 to 47 per cent of 2017 levels by 2050.
- 23 New Zealanders expect significant action on climate change, and this Plan sets down a pathway to do this. The transition to a low emissions economy is our greatest opportunity to develop our economy, become more productive, sustainable and inclusive. New Zealand is well-placed not just to innovate the way we do business currently but also to seize the opportunities new technology enables.
- 24 Climate action is an investment in higher paying jobs and more productive businesses, rather than a cost we must bear along the way. The Plan outlines how we will seize the opportunities, while supporting people, business and communities to manage the opportunities and disruption that come with it.
- 25 Government will play a key role in getting system settings right. These include emissions pricing, finance, and the planning system, enabling innovation, and incentivising the use of low emissions practices and technologies, where available. The private sector will be a vital driver of innovation and change.
- 26 The Crown must also partner with Māori to realise the opportunities and aspirations of the transition, as well as local government. The private sector will be a vital driver of innovation and change.

- 27 It will be the actions of businesses, local council, communities, iwi, hapū, whānau and individuals on the ground that will reduce emissions. We all have a role to play.
- 28 The Plan therefore covers systems settings and policies, and actions within specific sectors. Multi-sector strategy and critical cross-sector actions are also foundational to realising reductions across sectors in the next two emission periods and beyond. For instance, the planning and infrastructure cross sector strategy is vital to the achievement of emissions reductions in the transport sector.
- 29 The Plan for the first budget period leads off with a range of initiatives to reduce emissions across sectors, with a particular focus on transport, energy and industry. It is a multi-year plan, covering multiple fiscal years and, as such, it includes policies and actions that are ready to implement now, as well as foundational work to unlock future change that will require future funding.

The Plan is expected to meet the first emissions budget and set us on a pathway to achieve subsequent emissions budgets.

- 30 I have brought a separate paper to Cabinet confirming the first three emissions budgets out to 2035, setting the pathway to successively steeper reductions in emissions over time. This was confirmed on 19 April 2022 [CAB-22-MIN-0148 refers]. This Plan outlines the way in which we will achieve these emissions reductions.
- 31 In finalising this Plan, Ministers and officials have made progress in identifying additional measures and quantifying the estimated impacts of policies. We are now much more confident that the policies and measures have the potential to achieve the reductions required in the first budget period. These provide the base for the transition to a low emissions economy.

- 32 The following table outlines the anticipated reduction impacts:

Table 1: Estimated emissions abatement impact from quantified policies and measures against emissions budgets if the Tiwai Point aluminium smelter remains open¹

Comparison of estimated emissions levels against emissions budgets (AR5 Mt CO ₂ -e)	Emissions budget 1 2022-2025	Emissions budget 2 2026-2030	Emissions budget 3 2031-2035
Emissions at 2019 level	308.3	385.9	385.9
Emissions without the Plan's abatement measures	301.5	348.5	313.7
Emissions with the Plan's abatement measures - Low impact ²	296.1	317.6	255.3
Emissions with the Plan's abatement measures - High impact	289.6	253.9	192.6
Emissions budgets	290.0	305.0	240.0

- 33 Achieving the first emissions budget of 290 Mt CO₂-e for 2022-2025 will be tight, with the package of policies in this Plan expected to fall just under this first emissions budget. There is a high level of uncertainty inherent in all the assessments of emissions impact, as well as in forecasts of future activity. Whether or not the Tiwai smelter remains open makes a significant difference as to how challenging this will be. The recent increases in international oil prices are an example of unexpected change in one of the underlying drivers of the forecasts.
- 34 The uncertainty range around policy impact estimates for the forestry sector (6.5Mt) is very high relative to the other sectors. This is primarily due to the uncertainties around deforestation, which can have high emissions impacts. Including such a wide range, while correct and consistent, may undermine the overall analysis. The high and low policy impact scenarios for each set of policies are also highly unlikely to occur simultaneously. Therefore, the uncertainty range only includes the central estimate for the forestry sector.
- 35 I consider the emissions budgets strike the right balance between ambition and realism at this point in our climate change response. If our country had undertaken concerted action across the economy earlier, steeper reductions would be possible now. We need to urgently make significant emissions reductions now and set the path for much deeper reductions out to 2030 and beyond.
- 36 Our response needs to be technologically achievable, economically manageable and socially acceptable – but there also has to be stretch and challenge. It is therefore appropriate that the first emissions budget falls

¹ If Tiwai Point aluminium smelter were to close in 2024 this would make emissions budgets easier to achieve, and reduce the projected emissions levels in this table by 2.4, 9.3 and 3Mt CO₂-e in the first three emissions budgets respectively.

² A minor correction as a result of QA processes means that some of these numbers differ slightly from those in the emissions budgets cabinet paper. This will be fully resolved before publication of the Plan.

nearer the high end of the estimated emissions reduction plan policy impact range.

- 37 This provides an incentive for determined implementation of the Plan to ensure it delivers what is required to meet our 2050 targets. To ensure the Plan achieves the necessary emissions reductions will require:

37.1 determined implementation;

37.2 adequate funding;

37.3 an adaptive approach to tracking progress and taking early corrective action;

37.4 positive Treaty partner and public support and private sector contributions; and, potentially,

37.5 developing and implementing additional emissions reduction and removals policies.

- 38 I have considered various other policy options to achieve even greater emissions reductions in this first Plan. Any additional options would require significant fiscal and economic costs and compromises: they have therefore not been included in this first Plan.

- 39 However, our long-term approach will be flexible to changes in technology and other developments, which may change the viability of some options.

- 40 Given the inevitable uncertainties, the Plan and its implementation require an adaptive management approach throughout emissions budget period one, and subsequent budget periods. I will be regularly checking our progress to see if we are on track and responding if we are falling behind, or seizing new opportunities.

- 41 This will entail regular ministerial monitoring and reporting, supported by the new IEB to ensure interagency collaboration on strategy and actions, as well as timely governance and accountability.

- 42 Officials are performing final reviews of the estimated impacts of the policies in the Plan. The numbers in Table 1 above will be updated as checking is completed, and this may result in minor changes, to take into account:

42.1 Small increases to the impact of transport sector numbers.

42.2 Any other changes as a result of final review.

I do not expect these changes to affect my view that the Plan is both sufficient and ambitious, given our starting point.

Statutory Requirements for emissions reduction plan

The Minister has considered the advice of the Climate Change Commission

- 43 The Plan is based on a broad acceptance of the Commission's assessment that the emissions budgets were ambitious but achievable [CAB-21-MIN-0320.01 refers]. A comprehensive response to the Commission's advice, covering all the detailed recommendations made by the Commission, will be published later in May.

The Plan includes policies and strategies for meeting any notified emissions budgets

- 44 The Plan includes a comprehensive range of policies and strategies, for both specific and cross-sector areas, with a focus on the first emissions budget.

The Plan is consistent with the purpose provisions of the CCRA

- 45 Section 5W of the CCRA requires the Minister to set a series of emissions budgets:
- 45.1 with a view to meeting the 2050 target and contributing to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels; and
 - 45.2 in a way that allows those budgets to be met domestically; and,
 - 45.3 that provides greater predictability for all those affected, including households, businesses, and investors, by giving advance information on the emissions reductions and removals that will be required.
- 46 The Plan sets out a package of policies (strategic and sector-specific) to meet the emissions budgets and therefore also contributes to New Zealand's contribution to the global effort under the Paris Agreement to limit global average temperature rise.
- 47 Modelling and analysis suggest that the Plan could realistically achieve our emissions budgets (noting there are risks and uncertainties as outlined in the August 2021 Cabinet paper titled: Emissions Budgets for 2022-2025, 2026-2030 and 2031-2035 and the Cabinet paper titled: Setting emissions budgets for 2022-2025, 2026-2030 and 2031-2035).
- 48 The Plan provides predictability for all those affected including households, businesses, investors by outlining the Government's direction over the first three emissions budget periods. It addresses major sectors and cross-sectors of the New Zealand economy, including the private sector, Māori economy, communities and individuals.

Consultation has been undertaken

- 49 Public consultation on the Plan's discussion document *Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future* was held between 13 October and 24 November 2021.

- 50 Consultation included:
- 50.1 webinars and workshops (workshops with iwi/Māori, local government representatives, and a public webinar series offering both overview and sector specific webinars).
 - 50.2 10,050 submissions from individuals, community groups, iwi/hapū and marae, land trusts, Māori sectoral representatives, companies, sector organisations, local government, academics and non-governmental organisations.
- 51 At the beginning of this year, a comprehensive report on all submissions and proceedings was shared with relevant agencies. This report has been used to inform policy development, including the Regulatory Impact Statement of the Plan. The report will be published on the Ministry for the Environment website when the Plan is released.
- 52 A key theme from the public submissions was the request for the Government to take more urgent and more ambitious climate action. There was also strong support for an equitable lens across the entire Plan.

Te Tiriti o Waitangi requirements

- 53 Te Tiriti/Treaty principles require that the Crown be properly informed of Māori interests and act reasonably and with the utmost good faith towards Māori. In addition, the CCRA sets out specific requirements to enable the Government to give effect to the principles of Te Tiriti o Waitangi. For the Plan, the Minister is specifically required to ensure that:
- 53.1 the Plan contains a strategy that recognises and mitigates the impacts that the transition will have on Māori, including the funding for any mitigation action
 - 53.2 in preparing the plan and supporting policies and strategies for an emissions budget period, that consultation has been adequate, including for iwi and Māori.
- 54 It is important to note that while the Commission's recommendations were informed by engagement with Māori, subsequent input from Māori on how to adopt and implement these recommendations during the Government's consultation period has been very limited. This is primarily due to significant capacity constraints for Māori that have been exacerbated by other policy and legislative reforms and Covid-19 response priorities.
- 55 The Plan includes a commitment to develop an Equitable Transitions Strategy that recognises and mitigates the impacts of the transition on employees, employers, regions, iwi and Māori and affected communities. This strategy will be developed alongside Māori.
- 56 The Plan also contains a commitment to support Māori to develop a Māori climate strategy, in response to proposals put forward by Māori during engagement.

- 57 To give effect to Māori feedback about working in partnership to make decisions about our climate response, the Plan includes actions to develop a platform for Māori climate action. This will establish mechanisms for Te Tiriti-based relationships and recognition of Māori rights and interests across the Government's climate response.
- 58 In recognition of the limited consultation while preparing the Plan, the platform design is flexible and emphasises future direction from and collaboration with Māori. Phase one of the platform will establish an interim Ministerial advisory group, to give time for Māori and the Crown to develop a more enduring platform together in phase two.
- 59 I recognise the Commission's advice and feedback from Māori, that Māori, iwi and hapū are likely to be disproportionately vulnerable to the impacts from the transition to a low-emissions and climate-resilient economy.
- 60 It is important that – while support for strong climate mitigation is high amongst Māori – action does not come at the expense of Māori rights and interests. Upholding Te Tiriti principles throughout the implementation of emissions reduction policies and strategies will help to ensure this does not happen. While I will be accountable for implementing the actions related to the platform for Māori action, I note that it is the responsibility of all Ministers and agencies to uphold Te Tiriti principles throughout their respective work programmes.
- 61 A large Māori asset base currently sits in the primary industries, as well as Treaty-based rights and interests in natural resources, and Treaty settlement arrangements over forests (native and plantation) and water. Consideration of settlement legislation and the impacts of policies on this asset base will be critical when implementing the Plan.
- 62 Building consensus for actions to implement the Plan will require a relationship-based approach with Māori, that:
- 62.1 recognises regional and intergenerational differences;
 - 62.2 enables appropriate Māori representation;
 - 62.3 facilitates Māori-to-Māori conversations; and,
 - 62.4 aligns with settlements and other existing arrangements and priorities for iwi and hapū who are re-establishing their economic rangatiratanga.

Remaining work areas and policy decisions for the Plan

Planning and infrastructure

- 63 The underlying content of the planning and infrastructure chapter includes material that has not already been considered by Cabinet in the context of the Plan. These actions can be progressed under respective portfolio responsibilities and via existing work programmes without further Cabinet

agreement. However, given the significance of the emissions reduction opportunities across several other portfolios, it is important that Cabinet notes them as part of this Plan.

64 The chapter includes actions related to strategic planning, infrastructure investment, urban development, and the land use and resource management system. The actions will support several high-emitting sectors to transition to low-emissions alternatives, and ensure investment, and land and resource use decision-making processes are aligned with national climate change objectives.

65 On behalf of the Ministers of/for Infrastructure, Housing and Environment I am asking Cabinet to note the following seven actions committed to in the Planning and Infrastructure chapter:

Action 1: Improve the resource management system to promote lower emissions and climate resilience

Action 2: Support emissions reductions and climate resilience via policy, guidelines, direction and partnerships on housing and urban development

Action 3: Address infrastructure funding and financing challenges

Action 4: Improve the evidence base and tools for understanding and assessing urban development and infrastructure emissions

Action 5: Promote innovation in low-emissions, liveable neighbourhoods through a Crown-led urban regeneration project

Action 6: Identify ways to support the private sector to deliver lower emissions development

Action 7: Integrate climate mitigation into government decisions on infrastructure.

66 The detail of the existing areas and new actions in the chapter are included in the Plan, and Appendix 4: Table of Actions. The chapter content is consistent with Cabinet's agreed climate objectives for the resource management reforms and the Urban Growth Agenda (UGA), as well as a strategic approach to infrastructure investment.

67 The Minister for the Environment, with the support of myself and the Ministers of Infrastructure and Housing, will be accountable for implementing the ongoing work and actions in the planning and infrastructure chapter. Specific agency responsibilities for implementing the ongoing work and actions in the planning and infrastructure chapter are detailed in Table A. In addition, urban growth agenda Ministers have agreed to progress work related to actions 3, 4 and 6 in the Planning and Infrastructure chapter as part of the urban growth agenda work programme.

- 68 Over the course of the first emissions budget period, relevant work programmes should be assessed to ensure resourcing requirements can adequately address and implement the actions outlined above. Future budget bids may be required.

Actions requiring minor clarifications

- 69 I have added into the Plan a small number of extra areas for investigation that will give greater assurance that the Plan will meet our 2050 emissions targets. I outline the actions in brief in the paragraphs below.

- 70 **New Zealand Emissions Trading Scheme (NZ ETS):** The NZ ETS is the Government's main tool to drive action to reduce emissions across the economy.

- 71 Cabinet has previously agreed to prioritise gross emissions reductions in the emissions reduction plan, alongside maintaining support for net emissions reductions [CAB-21-MIN-0547.02 refers].

- 72 Consistent with the Commission's recommendations to strengthen the incentives for gross emissions reductions and manage exotic forests driven by the scheme (Recommendation 11.1 and 25.2a³), I, in consultation with the Minister of Energy and Resources and the Minister of Forestry, will undertake a targeted review of NZ ETS unit supply settings (including industrial allocation, the current stockpile of units, rates of afforestation and deforestation, and the number of units being auctioned) by the end of 2022 to assess what changes may be necessary to:

72.1 drive an appropriate balance of net and gross emission reductions over time;

72.2 include additional sources of emission removals;

72.3 further support indigenous biodiversity; and,

72.4 support achievement of the Nationally Determined Contribution (NDC) to reduce emissions by 50% below 2005 levels by 2030, in line with the Government's priority to meet NDC1 through domestic action as much as possible [CAB-21-MIN-0435 refers].

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³ Recommendation 11.1 - Amending the NZ ETS to strengthen the incentive for gross emissions reductions and to manage the amount of exotic forest planting the NZ ETS drives, in line with the Commission's advice on the proportion of emissions reductions and removals necessary for meeting emissions budgets

Recommendation 25.2.a - Amendments to the NZ ETS to manage the amount of exotic forest planting driven by the scheme.

- 74 I therefore recommend Cabinet agree-in-principle to the Commission's recommendations 11.1 and 25.2a to strengthen incentives for gross emissions and to manage the amount of exotic forest planting the NZ ETS drives⁴, subject to the outcomes of the targeted review of NZ ETS unit supply described above.
- 75 The Government will consider other changes to NZ ETS policy that are separate from this targeted review of unit supply settings by the end of 2022. These include market governance reforms, the review of industrial allocation, possible changes to the permanent exotic forestry category and annual updates to unit supply settings (following advice from the Commission).
- 76 **Access to finance:** improving low-emissions finance for Māori collectives may be an effective initiative. I will ask the new IEB to work with relevant government agencies and Māori representatives to investigate options on how best to achieve this.
- 77 **Circular economy and bioeconomy:** the Plan already includes developing circular economy and bioeconomy strategies. I recommend these strategies include milestones for progress. To ensure joined-up action, I am also recommending that officials investigate options for use of bioresources as part of the bioeconomy strategy development, and in connection with the energy strategy.

Implementation

Implementation of the Plan

- 78 With the publication of the Plan in May, the Government's focus must now turn to implementation. I am recommending that Cabinet confirm the following Ministers and agencies be responsible for leading or supporting the work proposed in each of the chapters:

Chapter title	Responsible Minister(s) [Lead], Support	Relevant agencies [Lead], Support
Empowering Māori	[Minister of Climate Change] Minister for Māori Crown Relations, Minister for Māori Development	[MfE], TPK, MBIE, Te Arawhiti
Equitable transition	[Minister for Economic and Regional Development, Minister of Social Development and Employment], Minister of Education, Minister of Climate Change	[MBIE, MSD], MfE, TSY Education
Working with nature	[Minister of Conservation, Minister of Climate Change]	[DOC, MfE]

Chapter title	Responsible Minister(s) [Lead], Support	Relevant agencies [Lead], Support
Emissions pricing	[Minister of Climate Change] , Minister for the Environment, Minister of Forestry, Minister of Agriculture, Minister of Transport, and Minister of Energy and Resources	[MfE] , MPI, MBIE, MoT, TSY
Funding and Finance	[Minister of Finance, Minister of Climate Change]	[TSY, MfE] , MBIE, DIA (Local Government)
RSI&T	[Minister of Research, Science and Innovation]	[MBIE] , EECA, MPI, MfE
Circular economy and Bioeconomy	[Minister for Economic and Regional Development, Minister of Energy and Resources, Minister of Forestry]	[MBIE] , MPI, MfE
Planning and Infrastructure	[Minister for the Environment] , Minister of Housing, Minister of Climate Change, Minister of Infrastructure	[MfE] , HUD, MoT, Te Waihanga, TSY
Transport	[Minister of Transport]	[MoT] , Waka Kotahi
Energy and Industry	[Minister of Energy and Resources]	[MBIE] , EECA
Building and Construction	[Minister of Building and Construction]	[MBIE] , HUD, Kāinga Ora, EECA
Waste	[Minister for the Environment]	[MfE]
F-gases	[Minister for the Environment]	[MfE]
Forestry	[Minister of Forestry]	[MPI]
Agriculture	[Minister of Agriculture]	[MPI]

Confirmation of sector sub-targets to align with emissions budgets

- 79 In December 2021, Cabinet agreed that sector sub-targets be used to measure the progress of each sector towards meeting the emissions reduction plan and set the sub-targets for the first emissions budget period. Sector sub-targets for the second and third emissions budget periods were provisional only. Cabinet further agreed that sector sub-targets would be brought back for confirmation as part of the Plan [CAB-21-MIN-0547.02 refers].
- 80 At that time, sector sub-targets were based on the Commission's demonstration pathway and calculated to meet the in-principle emissions budgets agreed in August 2021 [CAB-21-MIN-0320.01 refers].
- 81 In March 2022, Cabinet further agreed to nominate relevant Ministers and public sector Chief Executives to oversee progress against each sector sub-target [CAB-22-MIN-0055.01 refers].

- 82 Since those decisions were taken, the emissions budgets have been further adjusted based on reconsideration of revised forestry emissions projections and the sector sub-target numbers amended accordingly. Cabinet noted my final emissions budgets on 19 April 2022 [CAB-22-MIN-0148 refers].
- 83 The agreed adjustments to emissions budgets only affect the sector sub-target for the forestry sector because the basis for amending the emissions budgets is focussed on forestry emissions projections. Sector sub-targets for the remaining sectors are unchanged and are based on the Commission's demonstration pathway.
- 84 For the first emissions budgets period, this has the effect of restoring the forestry sector sub-target to be in line with the Commission's demonstration pathway. This is because when in-principle decisions were made, the forestry sector sub-target was the only one adjusted.
- 85 The table below sets out the amended sector sub-targets to align them with the emissions budgets for the first, second and third emissions budget period, noting that sub-targets for the second and third emissions budget periods are provisional.
- 86 These sector sub-targets are not made pursuant to specific provisions under the CCRA in the way that the overall emissions budget is. Rather, they provide a way of monitoring and managing progress towards the achievement of those budgets. The new IEB will be responsible for monitoring and advising on options to manage variances within and between sector sub-targets, while Ministers will have final oversight and responsibility for any such variances, including decisions on how to manage them within and across portfolios.

Sector (All gases, net (AR5), expressed in MtCO₂-e)	First emissions budget (2022-2025)	Second emissions budget (provisional) (2026-2030)	Third emissions budget (provisional) (2031-2035)
Transport	65.9	76.0	56.8
Energy and Industry	70.1	72.8	63.3
Waste	13.7	14.9	12.7
F-gases	6.8	7.5	5.9
Agriculture	159.4	191.0	183.0
Forestry (amended)	(26.4)	(57.2)	(81.6)
Total emissions budgets	290	305	240

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Legislative Implications

- 100 This paper has no new legislative implications. Formally establishing the Climate Change Chief Executives Board as an IEB under the Public Service Act 2020 was previously agreed by Cabinet [CAB-22-MIN-0055.01 refers].

Impact Analysis

Regulatory Impact Statement

- 101 A Regulatory Impact Statement (RIS) is attached (Appendix 2 refers).
- 102 A panel consisting of representatives from the Ministry of Business, Innovation and Employment, Ministry for the Environment and the Treasury has reviewed the RIS "Transition pathway for the Emissions Reduction Plan" produced by the Ministry for the Environment. The review panel considers that it **meets** the Quality Assurance criteria.
- 103 The problem definition has been clearly defined and the RIS presents good qualitative analysis of the options. The level of analysis is appropriate for the high-level, strategic nature of the decision being sought. The RIS also shows evidence of considering comments from consultation.

Climate Implications of Policy Assessment

- 104 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply to the proposals in this Cabinet paper as a key objective is to reduce emissions. However, the decisions sought by Cabinet at this stage do not have a clear and direct emissions impact that can be practically quantified.
- 105 Policies and measures within the Plan have been assessed for their emissions impact where appropriate and possible. Emissions impacts for a number of specific proposals have been presented to Ministers at various stages in previous sets of decisions. However, several programmes of work included in the first Plan will have future decision points that will have significant emissions impacts. These will be disclosed to Cabinet as final decisions are sought.
- 106 The seven additional actions under the Planning and Infrastructure chapter are expected to support emissions reductions in this sector. s9(2)(g)(i)
- 107 The release of the Plan sends a clear signal of the direction of travel to the New Zealand public and industry. This may support individuals and firms to make decisions that lead to reduced emissions beyond what is directly supported by sector-specific policies. The potential overall impact of this is unable to be practically quantified, but has been considered where appropriate within sector specific modelling undertaken for various components of the Plan.

- 108 Under current modelling, policies and measures within the emissions reduction plan are expected to result in emissions reductions of 5.4 to 11.9, 30.9 to 94.6 and 58.4 to 121.1 Mt CO₂-e across the first three emissions budget periods.
- 109 There is a high degree of uncertainty underlying both the impact of specific measures and baseline projected emissions.

Te Tiriti o Waitangi

- 110 The CCRA sets out specific requirements to enable the Government to give effect to the principles of Te Tiriti o Waitangi. These are set out and discussed in detail in paragraphs 53 – 62 above.

Population Implications

- 111 The CCRA requires the Commission and the Minister to have regard to the distribution of climate change impacts across the regions and communities of New Zealand, and from generation to generation.
- 112 The population implications of policies and strategies developed for inclusion in the Plan were detailed in the relevant papers that sought final policy decisions from Cabinet. If the policy is indicated in the Plan but is scheduled for development on a longer timeline, final policy decisions will be sought from Cabinet.
- 113 Where specific policy proposals have been decided by Cabinet, the disproportionate impacts on population groups identified in the Commission's final advice were addressed through Regulatory Impact Statements.
- 114 The Plan includes further information on the distributional impacts of policies and measures and agrees to the Commission's recommendation to develop a comprehensive Equitable Transitions Strategy.

Human Rights

- 115 There are no inconsistencies between these proposals and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

- 116 The following agencies were consulted in the development of this paper: Department of Conservation, Department of Internal Affairs, Department of Prime Minister and Cabinet; the Energy, Efficiency and Conservation Authority; Ministry of Business, Innovation and Employment; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Ministry of Social Development; Ministry of Transport; the Public Service Commission; Te Arawhiti; Te Puni Kōkiri; Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development; the Treasury; and Waka Kotahi – New Zealand Transport Agency.

- 117 An extensive public consultation process was conducted as described above in paragraphs 49 – 52, and the results have been taken into account in preparing the Plan.
- 118 Several policies and actions in the Plan relate to areas of cooperation in the Cooperation Agreement between the Labour and Green Parties. The Green Party has been consulted on these policies and actions and broadly supports them. The Green Party's view is that many of the policies and actions should be implemented faster and at greater scale than proposed in the Plan.

Communications

Publication process

- 119 The Prime Minister and I, in consultation with the Minister of Finance, will publicly launch the Plan s9(2)(g)(i). This launch will be supported by a variety of supporting materials to be published on the Ministry for the Environment's website. I will provide an embargoed version of the plan to the media on 12 May.
- 120 Key steps and intended dates are set out in the following table.

Milestone/Activity	Timeframe
Parliamentary debate on emissions budgets	Thursday, 12 May 2022
Media receive an embargoed copy of the Plan	Monday, 16 May, 8.00am,
Public launch of the Plan	Monday, 16 May
Publish the Plan (including the Actions Table) in the New Zealand Gazette.	Friday, 20 May
Present the Plan (Including the Actions Table) in the House.	

- 121 I will formally publish the Plan and the Actions Table (Appendices 3 and 4) in the New Zealand Gazette after Budget Day. The Actions Table is an important part of the Plan as it provides detail on individual actions. However, given the detail in the Actions Table, releasing it before Budget Day would increase the risk of unintended pre-announcements of Budget decisions.
- 122 Table B (*Responding to the Climate Change Commission's recommendations*) will be published alongside the plan. Table B lists responses to each individual recommendation made by the Climate Change Commission in *Ināia tonu nei*.
- 123 The Technical Appendix contains sector-specific and economy-wide emissions estimates across the first three emissions budgets and supporting information for the approach and methodology with which these estimates were calculated, including modelling limitations and uncertainties.

- 124 Effective communications about the Plan with the public and key stakeholders will be a critical factor in the long-term achievement of our climate goals.

Proactive Release

- 125 I propose that this paper is proactively released on the Ministry for the Environment's website after the Plan and emissions budgets have been agreed and published in 2022, subject to redactions in keeping with the principles of the Official Information Act 1982.
- 126 I also propose that Cabinet Papers considered in 2022 which contributed to the policy content of the Plan be released, subject to redactions in keeping with the principles of the Official Information Act 1982 and approval on a case-by-case basis by responsible Ministers.

Proactively released under the Official Information Act 1982

Recommendations

The Minister of Climate Change recommends that the Committee:

Emissions reduction plan

- 1 **note** the attached emissions reduction plan (the Plan), which I intend to publicly release on 16 May 2022, within the timeframe required by the Climate Change Response Act 2002 (CCRA);
- 2 **note** that the Plan includes the policy and implementation decisions already agreed by Cabinet [as listed in Appendix 1];
- 3 **note** that with determined and successful implementation, the package of policies and measures in the Plan is realistically expected to achieve our emissions budgets;
- 4 **note** that there may still be minor changes in the Plan to the estimated impacts on emissions as a result of officials' final reviews – these changes are unlikely to affect my view that the Plan is sufficient and ambitious for New Zealand;

Actions requiring minor clarifications

- 5 **note** that actions in addition to those previously agreed will be necessary to give greater assurance that the Plan will meet our 2050 emissions target;
- 6 **note** that Cabinet has previously agreed to prioritise gross emissions reductions in the emissions reduction plan, alongside maintaining support for net emissions reductions [CAB-21-MIN-0547.02 refers];
- 7 **agree** in principle, subject to outcomes of a targeted review, to the Climate Change Commission's recommendations to amend the New Zealand Emissions Trading Scheme (NZ ETS) to strengthen the incentives for gross emissions reductions and manage the exotic forests driven by the scheme (recommendations 11.1 and 25.2a):
 - 7.1 Recommendation 11.1 - Amending the NZ ETS to strengthen the incentive for gross emissions reductions and to manage the amount of exotic forest planting the NZ ETS drives, in line with the Commission's advice on the proportion of emissions reductions and removals necessary for meeting emissions budgets;
 - 7.2 Recommendation 25.2.a - Amendments to the NZ ETS to manage the amount of exotic forest planting driven by the scheme;
- 8 **invite** the Minister of Climate Change, in consultation with the Minister of Energy and Resources and the Minister of Forestry, to report back by the end of June 2022 on the scope of a targeted review of unit supply (including industrial allocation, the current stockpile of units, rates of afforestation and deforestation, and the number of units being auctioned) in the NZ ETS to assess what changes may be necessary for the NZ ETS to:

- 8.1 drive an appropriate balance of net and gross emission reductions over time;
 - 8.2 include additional sources of emission removals;
 - 8.3 further support indigenous biodiversity; and,
 - 8.4 support achievement of the Nationally Determined Contribution (NDC) to reduce emissions by 50% below 2005 levels by 2030, in line with the Government's priority to meet NDC1 through domestic action as much as possible [CAB-21-MIN-0435 refers];
- 9 **note** that Cabinet will make decisions on a number of other NZ ETS policies by the end of 2022, including market governance reforms, the review of industrial allocation, possible changes to the permanent exotic forestry category and annual updates to unit supply settings (following advice from the Commission);
 - 10 **invite** the Minister of Climate Change, in consultation with the Minister of Energy and Resources and the Minister of Forestry, to report back to Cabinet on potential policy proposals s(9)(2)(f)(iv) ;
 - 11 **direct** the new interdepartmental executive board to work with relevant government agencies and Māori representatives to investigate options on how to improve low-emissions finance for Māori collectives;
 - 12 **direct** officials to establish milestones, through the development of the Circular economy and Bioeconomy strategies, subject to further policy analysis, consultation, and funding;
 - 13 **direct** officials to investigate options for use of bioresources as part of the bioeconomy strategy development, and in connection with the energy strategy;

Planning and infrastructure actions

- 14 **note** the following seven actions committed to in the Planning and Infrastructure chapter:
 - 14.1 Action 1: Improve the resource management system to promote lower emissions and climate resilience;
 - 14.2 Action 2: Support emissions reductions and climate resilience via policy, guidelines, direction and partnerships on housing and urban development;
 - 14.3 Action 3: Address infrastructure funding and financing challenges;
 - 14.4 Action 4: Improve the evidence base and tools for understanding and assessing urban development and infrastructure emissions;

- 14.5 Action 5: Promote innovation in low-carbon, liveable neighbourhoods through a Crown-led urban regeneration project;
- 14.6 Action 6: Identify ways to support the private sector to deliver lower emissions development; and,
- 14.7 Action 7: Integrate climate mitigation into government decisions on infrastructure;

Implementing the Plan

- 15 **agree** that the following Ministers and agencies be responsible for leading the work proposed in each of the chapters in the Plan:

Chapter title	Responsible Minister(s) [Lead], Support	Relevant agencies [Lead], Support
Empowering Māori	[Minister of Climate Change] Minister for Māori Crown Relations, Minister for Māori Development	[MfE] , TPK, MBIE, Te Arawhiti
Equitable transition	[Minister for Economic and Regional Development, Minister of Social Development and Employment] , Minister of Education, Minister of Climate Change	[MBIE, MSD] , MfE, TSY Education
Working with nature	[Minister of Conservation, Minister of Climate Change]	[DOC, MfE]
Emissions pricing	[Minister of Climate Change] , Minister for the Environment, Minister of Forestry, Minister of Agriculture, Minister of Transport, and Minister of Energy and Resources	[MfE] , MPI, MBIE, MoT, TSY
Funding and Finance	[Minister of Finance, Minister of Climate Change]	[TSY, MfE] , MBIE, DIA (Local Government)
RSI&T	[Minister of Research, Science and Innovation]	[MBIE] , EECA, MPI, MfE
Circular economy and Bioeconomy	[Minister for Economic and Regional Development, Minister of Energy and Resources, and Minister of Forestry]	[MBIE] , MPI, MfE
Planning and Infrastructure	[Minister for the Environment] , Minister of Housing, Minister of Climate Change, Minister of Infrastructure	[MfE] , HUD, MoT, Te Waihangā, TSY
Transport	[Minister of Transport]	[MoT] , Waka Kotahi
Energy and Industry	[Minister of Energy and Resources]	[MBIE] , EECA
Building and Construction	[Minister of Building and Construction]	[MBIE] , HUD, Kāinga Ora, EECA

Waste	[Minister for the Environment]	[MfE]
F-gases	[Minister for the Environment]	[MfE]
Forestry	[Minister of Forestry]	[MPI]
Agriculture	[Minister of Agriculture]	[MPI]

- 16 **agree** to the following adjustments to sector sub-targets previously agreed in December 2021 [CAB-21-MIN-0547.02 refers] to align them with my emissions budgets for the first, second and third emissions budget period, noting that sub-targets for the second and third emissions budget periods are provisional;

Sector (All gases, net (AR5), expressed in MtCO ₂ -e)	First emissions budget (2022-2025)	Second emissions budget (provisional) (2026-2030)	Third emissions budget (provisional) (2031-2035)
Transport	65.9	76.0	56.8
Energy and Industry	70.1	72.8	63.3
Waste	13.7	14.9	12.7
F-gases	6.8	7.5	5.9
Agriculture	159.4	191.0	183.0
Forestry (amended)	(26.4)	(57.2)	(81.6)
Total emissions budgets	290	305	240

- 17 **note** that the sector sub-targets outlined in Recommendation 13 above are not made pursuant to specific provisions under the CCRA in the way that the overall emissions budget is, and that:
- 17.1 the interdepartmental executive board will be immediately responsible for monitoring and advising on options to manage variances within and between sector sub-targets to ensure the overall emissions budget is met; and
 - 17.2 the Climate Response Ministerial Group will have final oversight of and responsibility for any such variances, including decisions on how to manage them within and across portfolios;
- 18 **direct** the Minister of Climate Change to return to Cabinet in quarter four of 2022 with a proposal outlining an implementation plan for the Plan, including clear targets and milestones for each chapter;

Launch of the Plan

- 19 **note** the Prime Minister and I, in consultation with the Minister of Finance, will publicly launch the Plan on 15 May 2022 – and will coordinate on any specific announcements associated with the launch;
- 20 **note** that the Plan will be gazetted and published, in accordance with the requirements of the CCRA;
- 21 **note** that I will publish a formal response to the Commission's recommendations in conjunction with the Plan;
- 22 **note** that the Actions Table (Table A) will be published after Budget 22 announcements and notified in the New Zealand Gazette together with the Plan;
- 23 **note** that the Actions Table is not yet complete and requires further amendments to be consistent with changes made to the Plan;
- 24 **agree** to delegate responsibility for final approval of the policies that could form part of the Actions Table to the Prime Minister, the Minister of Finance and the Minister of Climate Change (but the publication of the Actions Table as part of the Plan remains a decision for the Minister of Climate Change);
- 25 **note** that Table B (*Responding to the Climate Change Commission's recommendations*) is a list of the proposed responses to each of the Climate Change Commission's individual recommendations;
- 26 **note** that Table B, after approval from the Minister for Climate Change, will be released on the Ministry for the Environment website after the Plan has been published in the New Zealand Gazette;
- 27 **note** that a technical appendix, after approval by the Prime Minister, Minister of Finance, and Minister for Climate Change, will be released on the Ministry for the Environment website after the Plan has been published in the New Zealand Gazette;
- 28 **note** the Minister of Climate Change will take further decisions on minor and technical policy matters in line with the policy decisions agreed by Cabinet;
- 29 **note** that the Minister of Climate Change will seek advice on any final substantive changes, if any, from the Climate Response Ministerial Group.

Authorised for lodgement

Hon. James Shaw

Minister of Climate Change

Appendices

1. Cabinet decisions from which Plan actions, policies and strategies are drawn
2. Regulatory Impact Statement
3. The Emissions Reduction Plan
4. Actions Table (Table A)

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Appendix 1: Cabinet decisions from which Plan actions, policies and strategies are drawn

- Te Tiriti o Waitangi and the role of Māori in the transition (CAB-22-MIN-0064 refers)
- Equitable transition (CAB-22-MIN-0070 refers)
- Research, Science, Innovation and Technology (CAB-22-MIN-0091 refers)
- Circular and Bioeconomy (CAB-22-MIN-0091 refers)
- Nature (ENV-22-MIN-0012)
- Government accountability and coordination (CAB-22-MIN-0055.01)
- s9(2)(g)(i)
- Transport (CAB-22-MIN-0080 refers)
- Energy and Industry (CAB-22-MIN-0080 refers)
- Building and Construction (CAB-22-MIN-0080.01 refers)
- Waste and F-Gases (CAB-22-MIN-0080 refers)
- Agriculture (DEV-22-MIN-0059 refers)
- Forestry (CAB-22-MIN-0041 refers)
- Setting emission budgets for 2022-2025, 2026-2030 and 2031-2035 (CAB-22-MIN-0148 refers)