



## PROACTIVE RELEASE COVERSHEET

|                                |   |                             |                |
|--------------------------------|---|-----------------------------|----------------|
| <b>Minister</b>                | Watts   | <b>Portfolio</b>            | Climate Change |
| <b>Title of briefing paper</b> | BRF-5034 Proactive release of ERP2 discussion document advice | <b>Date to be published</b> | 22 August 2024 |

### List of documents that have been proactively released

| <b>Date</b>     | <b>Title</b>  | <b>Author</b>                |
|-----------------|---|------------------------------|
| 21 May 2024     | CAB-441 Establishing a Strategy for Responding to Climate Change  | Ministry for the Environment |
|                 | Appendix 1: Our response to a changing climate  |                              |
|                 | Minute of Decision: Establishing a Strategy for Responding to Climate Change                                    |                              |
| 03 July 2024    | CAB-416 Public consultation on the second emissions reduction plan  | Ministry for the Environment |
|                 | Appendix 2: Table of primary CCRA requirements and the sections of the discussion document addressing them      |                              |
|                 | Appendix 4: Table of Key ERP2 proposals   |                              |
|                 | Appendix 5: Table of discontinued ERP1 policies for Cabinet to Note   |                              |
|                 | Appendix 6: Discontinued actions already noted by Cabinet   |                              |
|                 | Minute of Decision: Public consultation on the second emissions reduction plan                                  |                              |
| 1 December 2023 | BRF-3941 Climate Change Commission final advice on the policy direction for the second emissions reduction plan | Ministry for the Environment |
|                 | Appendix 1: Talking points to support discussion  |                              |
|                 | Appendix 2: Key messages from the Climate Change Commission's advice  |                              |

|                  |   |                                       |
|------------------|---|---------------------------------------|
| 1 December 2023  | BRF-3961 Secondary Briefing to the Incoming Minister  | Ministry for the Environment          |
|                  | Appendix 1: Statutory responsibilities on the Minister of Climate Change                            |                                       |
|                  | Appendix 2: Climate Change Funding Profile  |                                       |
| 11 January 2024  | BRF-3987 The Climate Change Chief Executives Board: Progressing the second emissions reduction plan | Climate Change Chief Executives Board |
| 01 February 2024 | BRF-4091 Engagement on the Second Emissions Reduction Plan  | Ministry for the Environment          |
|                  | Appendix 1: Proposed approach to engagement for ERP2 – February to May 2024                         |                                       |
| 15 February 2024 | BRF-4225 Draft papers for February's CPMG meeting   | Ministry for the Environment          |
|                  | Appendix 2: Setting our Net-Zero Strategy   |                                       |
| 29 February 2024 | BRF-4084 Content required for inclusion in the second emissions reduction plan                      | Ministry for the Environment          |
| 29 February 2024 | BRF-4201 The NZ ETS and its role in reducing emissions  | Ministry for the Environment          |
| 29 February 2024 | BRF-4343 Draft Net-Zero Strategy  | Ministry for the Environment          |
| 15 March 2024    | BRF-4441 CPMG: Introducing the second emissions reduction plan                                      | Ministry for the Environment          |
| 27 March 2024    | BRF-4502 Managing the impacts of policies in the second emissions reduction plan                    | Ministry for the Environment          |
| 03 April 2024    | BRF-4430 Advice on Climate Change Commission's recommendations to set gross emissions targets       | Ministry for the Environment          |
| 05 April 2024    | BRF-4458 Briefing: ERP2 – first tranche of discussion document chapters                             | Ministry for the Environment          |
| 10 April 2024    | BRF-4321 Agreeing to a consultation approach (ERP2)   | Ministry for the Environment          |
| 03 May 2024      | BRF-4682 Interim emissions projections and modelling update   | Climate Change Chief Executives Board |
|                  | Appendix 1: Interim projections update – A3 for CPMG  |                                       |
|                  | Interim compared to previous projections  |                                       |
|                  | Overview of models used in analysis   |                                       |

|              |  |                                       |
|--------------|--|---------------------------------------|
| 09 May 2024  | BRF-4718 NZ ETS and the second emissions reduction plan  | Ministry for the Environment          |
|              | Appendix Two: Summary of key NZ ETS decisions for ERP2   |                                       |
| 22 May 2024  | BRF-4798 ERP2 – Early drafts of discussion document and approval to consult Cabinet paper        | Ministry for the Environment          |
| 30 May 2024  | BRF-4183 Briefing: ERP2 - Second drafts of discussion document and Cabinet paper                 | Ministry for the Environment          |
| 14 June 2024 | BRF-4589 Briefing: ERP2 – Updated Cabinet paper and discussion document                          | Ministry for the Environment          |
| 14 June 2024 | BRF-4913 Update to NZ ETS and ERP2 policy modelling  | Ministry for the Environment          |
|              | Appendix 1: Slide deck – NZ ETS and ERP2 policy modelling  |                                       |
| 14 June 2024 | BRF-4840 Status of the first emissions reduction plan and emissions budget 1                     | Climate Change Chief Executives Board |
|              | Appendix B: Discontinued ERP1 actions already noted by Cabinet                                   |                                       |
|              | Appendix C: Discontinued ERP1 actions still to be noted by Cabinet                               |                                       |
|              | Appendix D: EB1 interim projections June 2024  |                                       |
|              | ERP2 results summary for consultation document   |                                       |
| 19 June 2024 | BRF-4935 ERP2: Discussion document and Cabinet paper for Ministerial consultation                | Ministry for the Environment          |
| 26 June 2024 | BRF-4946 ERP2: Cabinet paper and discussion document – summary of feedback and approval to lodge | Ministry for the Environment          |

#### **Information redacted**

**YES**

Any information redacted in this document is redacted in accordance with the Ministry for the Environment's policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

#### **Summary of reasons for redaction**

Some information has been withheld for the reasons of confidentiality of advice tendered by Ministers, the maintenance of legal professional privilege, and the free and frank expression of opinions. This includes some advice which has been withheld in full and is therefore not being released proactively.



**In-Confidence**

Office of the Minister of Climate Change

CBC - Cabinet Business Committee

**Public consultation on the second emissions reduction plan**

**Proposal**

- 1 I seek approval to:
  - 1.1 carry out public consultation for the second emissions reduction plan (ERP2) starting in mid-July
  - 1.2 release a discussion document to be used for public consultation (Appendix 1).

**Relation to government priorities**

- 2 This proposed consultation is consistent with relevant commitments contained in the Act-National, and New Zealand First-National Coalition Agreements, and the Prime Minister's ninth public service target to limit net emissions to 290 Mt for 2022-2025 and 305 Mt for 2026-2030.

**Executive Summary**

- 3 I have a statutory duty as the Minister of Climate Change to prepare and publish an emissions reduction plan by the end of 2024. This plan will support the delivery of the Prime Minister's public service target nine.
- 4 ERP2 is the first opportunity for us as a Government to publish our plan that sets out our overall approach to reducing emissions over the medium term. It must set out the Government's policies and strategies to meet the second emissions budget (EB2 - 2026-2030). It also may contain policies and strategies for meeting later emissions budgets, and that set New Zealand on a longer-term pathway to 2050.
- 5 The discussion document will align with our Coalition Agreements, the Government's recently agreed climate strategy, and will reflect our least cost approach to tackling the climate challenge, including:
  - 5.1 Looking at climate mitigation through an economic lens.
  - 5.2 Taking a net-based approach to leverage key competitive advantages like the availability of land for forestry and other removals.
  - 5.3 Restoring confidence in the ETS for it to deliver the most efficient, flexible and cost-effective path to 2050.
- 6 I have worked closely with responsible Ministers to develop the proposed sector policies included in the discussion document. Increased renewable energy generation and electrification will be a key theme of the five-year period of ERP2 and is something most New Zealanders support.

- 7 s 9(2)(h)
- 8 Our latest modelling - including the policies and strategies proposed in the ERP2 discussion document - indicates that New Zealand is projected to achieve emissions reductions between a range of 285-321 Mt with a central scenario of 303 Mt in the second emissions budget period. If this central scenario is achieved as projected, then New Zealand will be within EB2, which is 305 Mt.
- 9 Official projections of future emissions are all modelling-based estimates and represent the best available estimates but are inherently uncertain. They depend heavily on assumptions and are driven by a mix of factors that are themselves difficult to accurately forecast. The technical annex to the discussion document talks about these limitations in detail.
- 10 I expect a high degree of public interest in this consultation. It is our plan to lay out our climate strategy with the purpose of building social license for our climate response, giving confidence to, and empowering, businesses and households to make lower emission investment decisions where and when economically efficient to do so, and to build social licence for New Zealand's climate response.
- 11 Aside from our domestic budgets, we also have international commitments under the Paris Agreement, that is our Nationally Determined Contribution (NDC1). The NDC1 goal of reducing greenhouse gas emissions to 50 per cent below gross 2005 levels by 2030 is more challenging than our domestic emissions budgets and this has created a gap. s 9(2)(f)(iv)

## Background

### *Requirement for a second emissions reduction plan*

- 12 The Climate Change Response Act (CCRA) legislates domestic emissions reduction targets. The CCRA includes requirements to set:
- 12.1 emissions budgets<sup>1</sup> that step towards our 2050 target
  - 12.2 emissions reduction plans that set out the policies and strategies needed to achieve the emissions budgets.

- 13 s 9(2)(h)

### *Public consultation*

- 14 Public consultation on emissions reduction plans is a statutory requirement, and the CCRA requires that I must ensure that consultation has been adequate. I am seeking approval to consult, and propose consultation takes place in mid-July on the second emissions reduction plan.

<sup>1</sup> Emissions budget (EB) 1 from 2022-2025, EB2 from 2026-2030, EB3 from 2031-2035, EB4 from 2036-2040, EB5 from 2041- 2045 and EB6 from 2046 to 2050.

- 15 With approval from Cabinet, I intend to use a discussion document with a technical annex (Appendix 3) for public consultation. I believe a discussion document strongly focused on the key drivers will allow us to highlight the key actions needed to meet the emissions budgets and provide sufficient information for informed submissions.
- 16 The discussion document will be supported by a 'snapshot of the consultation' document, which will be a fully designed, visually engaging document aimed at the general public. It will introduce the Government's approach to New Zealand's climate change response, including the key policies we intend to deliver to reduce emissions.
- 17 During the consultation phase, there will be digital panel discussions, online workshops for public and private sector/industry groups, and hui with treaty partners. The public would be able to provide written response by completing online forms or through email.

*Our approach to New Zealand's climate change response*

- 18 The discussion document highlights that we support a market-led approach that delivers a least-cost transition by leveraging key competitive advantages like the availability of land for forestry and other removals. We also plan to cut red tape and reduce other barriers to make it easier and cheaper for business and households to make emissions conscious investments, decisions and actions.
- 19 It also highlights the five key pillars that underpin our key actions for ERP2 and what these actions tangibly mean for the public. These are:
  - 19.1 Infrastructure is resilient and communities are well prepared.
  - 19.2 Credible markets support the climate transition.
  - 19.3 Clean energy is abundant and affordable.
  - 19.4 World-leading climate innovation is boosting the economy.
  - 19.5 Nature-based solutions address climate change.

**Sector Policies**

- 20 The CCRA requires an emissions reduction plan to include a multi-sector strategy and sector-specific policies. I am therefore including policies on energy, transport, agriculture, forestry, non-forestry removals and waste in the discussion document. These policies have been agreed and led by portfolio ministers and are consistent with Coalition Agreements.
- 21 A table of proposed policies for each sector can be found in Appendix 4. I am raising this with Cabinet to consider the proposals in their totality.

*The role of upcoming NZ ETS setting decisions*

- 22 A key part of our approach to responding to climate change is the NZ ETS. Consultation on NZ ETS auction settings occurred from 15 May to 14 June. The NZ ETS settings determine how many units are available for participants to purchase at Government auctions. The decisions on NZ ETS auction settings are materially important for the final ERP2 and will be included in the final plan. The ERP2 discussion document does not presuppose any particular outcome of the NZ ETS settings consultation, which will follow its own process.



s 9(2)(h)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

29 s 9(2)(h)

[REDACTED]

30 There has been a change in the policy approach to meeting climate targets, including several changes made to actions in the first emissions reduction plan (ERP1) by this Government and announcement of some new policies off the back of changes made by the previous government. s 9(2)(h)



s 9(2)(h)

[REDACTED]

[REDACTED]

*Sufficiency of the plan to meet EB2*

33 Officials have undertaken modelling on the sufficiency of the proposed plan, including our key policies in the discussion document. Not all policies proposed have been modelled and quantified and many of the many of the modelling estimates are highly uncertain. This modelling demonstrated that, with these additional measures, emissions are projected to be between a range of 285-321 Mt with a central scenario of 303 Mt. If this central scenario is achieved, as projected, then New Zealand will meet the budget of 305 Mt. This includes an estimated contribution of 4.11 Mt during EB2 from key new policies proposed in ERP2, such as Electrify NZ, EV chargers, and agricultural mitigation technologies.

34 These projections are a snapshot in time and will move around over time as knowledge changes. They are also subject to important limits and caveats, which are set out in the technical annex to the discussion document.

35 s 9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

<sup>2</sup> s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 40 My judgement is that the discussion document provides a sufficient basis for consulting on ERP2. This is based on my best judgement, considering a range of factors, including:
- 40.1 our understanding of the central scenario being better than the limit of EB2, but within a range of uncertainty
  - 40.2 our plan to continue to understand the impacts of policies before the final plan is prepared
- 41 key policy decisions that are forthcoming but have yet to be included in the policy mix, including decisions to be made this year on ETS settings
- 41.1 the likelihood of stakeholders providing extra ideas through the consultation process.
- 42 The discussion document, therefore, states that the proposed policy mix *may* be sufficient to achieve EB2, that several decisions (such as ETS unit settings) have yet to be taken, and signals the development of a contingency management approach. The discussion document would also include our latest modelling and assessment of the sufficiency of the plan. The supporting material will outline the limitations of the modelling and likelihood of changes between this projection (June 2024) and the projections that will be developed to inform the final ERP2.
- 43 We will use the discussion document as a means to seek further information to help us with the quantification of policies.

*Having a credible implementation plan also helps meet the sufficiency test*


- 44 Consistent with this government's delivery-focused approach to our key targets, s 9(2)(f)(iv)
- 45 NZ ETS settings are a key opportunity to ensure that the scheme supports achieving the second emissions budget. s 9(2)(f)(iv) These settings

decisions must accord with our emissions budgets and targets and will be an essential part of our ERP2 strategy.

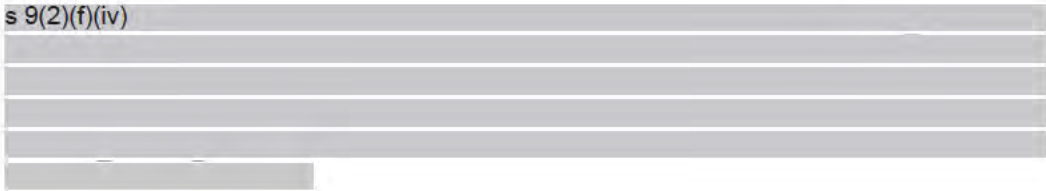
*Distributional impacts of climate policies also need specific consideration*

46 As required by the CCRA, ERP2 must have a strategy to mitigate the impacts that ERP2 policies will have on employees, employers, regions, iwi, Māori, and wider community, including the funding for any mitigation action. The strategy to mitigate the impacts of ERP2 policies will require assessment of the impacts, as well as the development of appropriate mitigation actions. Both processes will be iterative and overlapping throughout ERP2 development.

47 s 9(2)(h)



48 s 9(2)(f)(iv)



*Considering the Climate Change Commission's advice on ERP2*

50 s 9(2)(h)



*Treaty Analysis*

52 There are requirements in the CCRA to recognise and respect the Crown's responsibility to give effect to the principles of the Treaty of Waitangi, including to ensure that iwi and Māori have been adequately consulted and to include a strategy to recognise and mitigate the impacts on iwi and Māori of reducing emissions.

- 53 Consultation with Māori has been taking place and will continue during the public consultation phase. s 9(2)(f)(iv)

- 54 The Crown's broader obligations will be informed by the Māori rights and interests in ERP2. The discussion document sets out the implications of policies on Māori particularly in the forestry, energy and agricultural sectors. s 9(2)(f)(iv)

*Supporting sectors to adapt to the effects of climate change*

- 55 The CCRA requirement to include a multi-sector strategy in ERP2 has a component to improve the ability of sectors to adapt to the effects of climate change.
- 56 To meet this requirement, I have asked officials to include a section that links to the role of the national adaptation plan and other sector-led adaptation plans and priorities. This will explain how adaptation has been addressed in sector-specific policies to ensure they are resilient to future climate impacts, support adaptation co-benefits, and avoid maladaptation.

*Our international obligations*

- 57 Under the Paris Agreement, New Zealand has an NDC1 target of reducing greenhouse gas emissions to 50 per cent below gross 2005 levels by 2030. This target is more challenging than our domestic emissions budgets and New Zealand is currently substantively off track to meet this target.
- 58 The ERP2 discussion document notes the scale of the challenge and the Government's commitment to the target, as previously signalled publicly. s 9(2)(f)(iv)

*Ensuring we remain on track requires consideration of the impact of stopping actions from the first emissions reduction plan*

- 59 Our approach to the climate change response has resulted in stopping work on some climate policies (or actions) that were included in ERP1 (covering 2022-2025) but are not aligned with or are no longer considered a priority. This is aside from the new policies we are proposing as part of ERP2 (covering 2026-2030).
- 60 I am asking Cabinet to note the ERP1 actions that have stopped, as set out in Appendix 5, and the anticipated emissions impact of doing so.
- 61 Cabinet has previously noted the closure of other ERP1 actions, such as the Clean Car Discount and the Government Investment in Decarbonising Industry fund. In addition, some ERP1 actions were stopped by the previous administration. These are outlined in Appendix 6.
- 62 Removing the additional actions (outlined in Appendix 6) is not expected to have a material impact on meeting EB1, as most do not have a direct impact on emissions. The interim baseline projections indicate that the central estimate of our emissions is below the EB1 limit.



- 63 As such, I consider that ERP1 is still sufficient to meet ERP1, despite recent policy changes. I note that some of these actions may have contributed to emissions reductions in later emissions budgets periods, including EB2 and beyond. This will be addressed when preparing and finalising ERP2.
- 64 The CCRA provides a mechanism for amending emissions reduction plans. Any change to an ERP that is more than minor or technical requires the same process required for preparing the plan (ie, consideration of the Climate Change Commission's advice for meeting that emissions budget and adequate consultation).
- 65 We now have a number of stopped policies and a changed approach to meeting domestic emissions budgets, including the plan to meet EB1.
- 66 As part of the broader ERP2 consultation, I propose to consult on the Government's revised approach to meeting emissions budgets, including the change in approach to meeting EB1 via an amended ERP1.
- 67 I propose that the ERP2 discussion document provides all the ERP1 actions that are no longer part of the plan to inform the public on the totality of changes to ERP1 and to enable an efficient public consultation on our approach to meeting our climate change targets. § 9(2)(h) The discussion document will also seek the public's feedback on the impacts of stopping work on policies, and the implications of this for ERP2.
- 68 I acknowledge the margin for meeting EB1 is small, around 8Mt (just under 3% of the total emissions budget), and we will need to proceed with caution if making any further changes to ERP1. I will continue to receive regular reporting from the Climate Change Chief Executives Board on ERP1 implementation and progress against EB1.

#### *Consultation and next steps for ERP2*

- 69 I recommend holding public consultation in mid-July and lasting for approximately 4 weeks. I recommend Cabinet delegate to me the decision on the final launch date for publication. This provides time for the Government to reflect and incorporate feedback.
- 70 The activities in the public consultation phase include digital panel discussions, online workshops for public and private sector/industry groups, hui with treaty partners, attending meetings hosted by external organisations and professional networks to present, and connecting with advisory groups. The public would be able to provide written response by completing an online submission form or by sending through feedback via email.
- 71 The consultation will be an interagency process, where all agencies will directly engage with their principal stakeholders, as well as being part of other events as appropriate.

#### **Implementation**

- 72 This Cabinet Paper seeks approval to consult. The final ERP2 needs to be published by 31 December 2024, and will go into effect in January 2026, although individual policies may be started sooner.
- 73 The ERP2 and EB2 period commences on 1 January 2026.

### **Cost-of-living Implications**

- 74 No cost-of-living implications are expected as a result of the release of the discussion document.

### **Financial Implications**

- 75 No immediate fiscal implications of the decisions in this paper, but some areas of work signalled in the consultation would have future fiscal implications.
- 76 The document is clear that the Government's preferred strategy is to create the right conditions for markets to respond in the first instance and enable private investment.

### **Legislative Implications**

- 77 No legislative implications are expected as a result of the release of the discussion document.
- 78 s 9(2)(h)

### **Impact Analysis**

#### *Regulatory Impact Statement*

- 79 The discussion document does not require a RIS. Individual policies will include a RIS where required.

#### *Climate Implications of Policy Assessment*

- 80 There will be no direct emissions impacts at the consultation stage of the second emissions reduction plan.

#### *Population Implications*

- 81 Directly, this paper has no population implications. Decisions within the ERP that have population implications will be outlined in the papers that seek policy decisions from cabinet.

### **Human Rights**

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

### **Consultation**

- 83 Agencies consulted in the development of this paper were: the Treasury; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Ministry of Business, Innovation and Employment; Ministry of Transport; Ministry of Social Development; Department of Internal Affairs; Department of Conservation; Energy Efficiency and Conservation Authority; Ministry of Housing and Urban Development; Kainga Ora; Ministry of Education; New Zealand Transport Agency; Te Waihangā, Te Puni Kokiri;

the Earthquake Commission; Land Information New Zealand, Ministry for Culture and Heritage; Ministry of Health; and the National Emergency Management Agency.

- 84 All Ministers' offices were consulted on this paper and the draft discussion document. DPMC and the Prime Minister's office was also consulted.

### Communications

- 85 The attached discussion document will form the core part of the planned public consultation as outlined above.
- 86 A snapshot of the consultation document, a visually engaging document aimed at the general public, will also be released as part of the consultation.

### Proactive Release

- 87 This paper will be proactively released, subject to redactions as appropriate under the Official Information Act 1982 at the start of the Consultation period.

### Recommendations

The Minister of Climate Change recommends that the Committee:

- 1 **note** that we must publish the second emissions reduction plan (ERP2) by December 2024.
- 2 **note** that the Climate Change Response Act 2002 requires adequate consultation on an emissions reduction plan to meet the relevant emissions budget.
- 3 **agree** to public consultation being carried out for ERP2 in mid-July.
- 4 **agree** to the release of the ERP2 discussion document to be used for public consultation.
- 5 **agree** that the Minister of Climate Change may make administrative, technical, linguistic, and stylistic changes to the discussion document and technical annex. that do not impact the policy decisions made in this Cabinet paper, consulting with Responsible Ministers where relevant.
- 6 **note** that the final ERP2, due at the end of 2024, must be sufficient to meet the second emissions budget.
- 7 **note** that the discussion document will show how the Government is tracking against meeting the emissions budgets, and state that the Government is undertaking further work to ensure that it meets the sufficiency test in Recommendation 5 above.
- 8 **instruct** officials to undertake work to quantify all policies proposed in the final ERP2 and produce qualitative evidence where they are unquantifiable.
- 9 s 9(2)(f)(iv)  
[Redacted]  
[Redacted]
- 10 **note** my preliminary view is that the Government has a credible and plausible path to meet the second emissions budget, and we will be able to confirm this ahead of the



final ERP2 decisions (with an improved understanding of new policies and after we have taken decisions on NZ ETS settings).

- 11 **note** that, following consultation, the Minister of Climate Change, will seek final policy decisions from Cabinet to enable the final ERP2 to be published in the New Zealand Gazette by 31 December 2024.

- 12 s 9(2)(f)(iv)

- 13 **note** that as a result of our change in approach to meeting emissions budgets, work has stopped on a number of actions in the first emissions reduction plan (ERP1), outlined in Appendix 5 of this paper.

- 14 **note** that the majority of the ERP1 actions outlined in Appendix 5 have no direct impact on emissions for the first emissions budget (EB1) and I do not anticipate that discontinuing them will materially affect our ability to land within EB1. Any impact on later emissions budgets will be addressed through the development of ERP2.

- 15 **note** that the extent of changes to ERP1 since the start of the plan requires the plan to be updated to present an accurate record of our current plan to meet EB1 (see Appendices 5 and 6).

- 16 **note** that information on all discontinued ERP1 actions (as outlined in Appendices 5 and 6) will be included within the ERP2 consultation document to consult on the implications of the overall change in approach to meeting the first emissions budget.

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

## Appendices

### Appendix 1: ERP2 discussion document

### Appendix 2: Table of primary CCRA requirements and the sections of the discussion document addressing them

| Requirement under the CCRA  | Sections in the ERP2 Discussion Document                              |
|---|---|
| Sector-specific policies to reduce emissions and increase removals (Section 5ZG(3))   | Page 43 - 103   |
| A multi-sector strategy to meet emissions budgets and improve the ability of those sectors to adapt to the effects of climate change (Section 5ZG(3))   | Page 105-109  |
| A strategy to mitigate the impact on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action (Section 5ZG(3)) (and see s 3A(ad))  | Page 98 - 107<br>Page 27  |
| Any other policies or strategies that the Minister of Climate Change considers necessary (Section 5ZG(3))   |   |
| Consider the advice received from the Commission under section 5ZH for meeting emissions budget.(Section 5ZI(1)(a))<br>Section 5ZH: the Commission must provide to the Minister advice on the direction of the policy required in the emissions reduction plan for that emissions budget period                       | Page 28-34 – signalled in the DD                                      |
| The requirement for an ERP to meet the relevant emissions budget (Section 5ZG (1)(a))   | Tracking our progress towards meeting emissions budgets Page 36 - 41  |
| (Section 5ZI(3)) The Minister may, at any time, amend the plan and supporting policies and strategies to maintain their currency,—<br>(a) using the same process as required for preparing the plan; or<br>(b) in the case of a minor or technical change, without repeating the process used for preparing the plan. | Tracking our progress towards meeting emissions budgets, Page 36 - 39 |

## Appendix 3: Technical Annex to the Discussion Document

## Appendix 4: Table of Key ERP2 proposals

| Policy  | Interim projected abatement for EB2 (2026–30) | Interim projected abatement for EB3 (2031–35) |
|---|---|---|
| Electrify NZ – reduce consenting burden                     | 0.1 Mt CO <sub>2</sub> -e                     | 1.6 Mt CO <sub>2</sub> -e                     |
| Investigate carbon capture, utilisation, and storage (CCUS) | 1.4 Mt CO <sub>2</sub> -e                     | 3.2 Mt CO <sub>2</sub> -e                     |
| Target 10,000 electrical vehicle chargers by 2030           | 0.01 Mt CO <sub>2</sub> -e                    | 0.2 Mt CO <sub>2</sub> -e                     |
| Better public transport                                     | 0.1 Mt CO <sub>2</sub> -e                     | 0.3 Mt CO <sub>2</sub> -e                     |
| Agricultural mitigation technologies and emissions pricing  | 0.1 Mt CO <sub>2</sub> -e                     | 5.5 Mt CO <sub>2</sub> -e                     |
| Waste Minimisation Fund                                     | Up to 1.3 Mt CO <sub>2</sub> -e               | Up to 1.3 Mt CO <sub>2</sub> -e               |
| Investigate organic waste and landfill gas capture          | Up to 1.1 Mt CO <sub>2</sub> -e               | Up to 1.4 Mt CO <sub>2</sub> -e               |

## Appendix 5: Table of discontinued ERP1 policies for Cabinet to Note

Note that the ERP1 actions are those which have been reported by agencies as at 26 June 2024, we are continuing to work with agencies on implications of any recent decisions including via Budget 24 and if further ERP1 actions need to be included as a result.

| Action Number | Discontinued Action   | Responsible Minister(s)   | Approximate Direct Abatement   |
|---------------|---|---|--|
| 3.2.1         | Develop an equitable transition strategy  | Minister for social development, Minister for economic and regional development | No direct abatement impact. Note decisions have been taken to transfer ownership of this work programme, and work to mitigate distributional impacts is continuing in a different form.                              |
| 3.2.3         | Implement the Just Transition Partnerships Programme  | Minister for economic development   | No direct abatement impact.  |
| 8.1.1         | Establish a portfolio of Climate Innovation Platforms to support and coordinate strategic, effective and innovative initiatives   | Minister of Science, Innovation and Technology                                  | No direct abatement impact.  |
| 8.2           | Te Ara Paerangi – Future Pathways science-system reform programme   | Minister of Science, Innovation and Technology                                  | No direct abatement impact.  |
| 9.10          | Commence a Circular Economy and Bioeconomy Strategy   | Minister for Economic Development   | No direct abatement impact.  |
| 10.1.2        | Set sub-national VKT reduction targets for Aotearoa New Zealand's major urban areas (Tiers 1 and 2)   | Minister of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1 beyond the policy impact of the initial investments to improve safety and access to public transport and active modes. |
| 10.1.2        | Develop VKT reduction programmes for Aotearoa New Zealand's major urban areas (Tiers 1 and 2) in partnership with local government, Māori and community representatives                         | Minister of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1 beyond the policy impact of the initial investments to improve safety and access to public transport and active modes. |
| 10.1.2        | Revise Waka Kotahi's national mode shift plan (keeping cities moving) to ensure nationally led activities align with the pace and scale of VKT reduction and mode-shift required in urban areas | Minister of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1. There is likely to be some abatement impacts however this is difficult to quantify at this time.                      |

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|          |   |                         |  |
|----------|---|-------------------------|--|
| 10.1.1.6 | Require new investments for transport projects to demonstrate how they will contribute to emissions-reduction objectives and set a high threshold for approving new investments for any transport projects if they are inconsistent with emissions-reduction objectives | Minister of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1. There is likely to be some abatement impacts however this is difficult to quantify at this time.  |
| 10.1.4   | Establish a high threshold for new investments to expand roads, including new highway projects, if the expansion is inconsistent with emissions-related objectives  | Minister of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1. There is likely to be some abatement impacts however this is difficult to quantify at this time.  |
| 10.4.1   | Ensure the next Government Policy Statement on Land Transport (GPS-LT) guides investment consistent with the emissions reduction plan   | Ministry of Transport   | Abatement impact for this initiative was not modelled at the time it was included in the ERP1. There is likely to be some abatement impacts however this is difficult to quantify at this time.  |
| 11.2.2   | Ban new fossil-fuel baseload generation   | Minister for Energy     | Officials consider this initiative is not likely to have an emissions reduction benefit. There is a low likelihood that generation developers will build new fossil fuel baseload due to its higher cost compared with renewables coupled with the ETS making fossil-fuel baseload generation less competitive. There are also uncertainties with future gas supply. |
| 11.3.1   | Manage the phase out of fossil gas. Develop a gas transition plan   | Minister for Energy     | No direct abatement impact. Workstreams will continue under gas security of supply workplan.   |
| 11.4.1.a | Develop a mandatory energy and emissions reporting scheme   | Minister for Energy     | No direct abatement impact.  |
| 11.5.1   | Monitor progress towards the aspirational renewable electricity target  | Minister for Energy     | No direct abatement impact.  |
| 13.1.1   | An emissions pricing mechanism is developed, and agricultural emissions are priced by 1 January 2025  | Minister of Agriculture | Deferring agricultural emissions pricing from 2025 is expected to have an abatement impact. The level of impact will depend on future decisions related to agricultural mitigation actions.  |
| 13.1.2   | All producers will have emissions reports by the end of 2022 and a farm plan in place by 2025   | Minister of Agriculture | No direct abatement impact.  |
| 13.3.1   | Develop further climate-focussed extension and advisory services  | Minister of Agriculture | No direct abatement impact.  |
| 14.1.1a  | Ensure regulatory settings deliver the right type and scale of forests, in the right place  | Minister of Forestry    | No direct abatement impact.  |



## Appendix 6: Discontinued actions already noted by Cabinet

## ERP1 Actions discontinued by the previous government

| ERP1 Action number | Discontinued action  |
|--------------------|--|
| 7.5                | Promote innovation in low-emissions, liveable neighbourhoods, through Crown-led urban regeneration projects.   |
| 10.1.2             | Support initiatives to increase the uptake of e-bikes.   |
| 10.2.2             | Support social leasing schemes to make access to cleaner vehicles affordable for low-income households.  |
| 10.2.2             | Implement an equity-oriented vehicle scrap-and-replace scheme to make cleaner vehicles and low-emissions alternatives affordable for low-income households.            |
| 10.2.2             | Investigate whether further targeted support is required to make low-emissions vehicles more accessible and affordable for other disadvantaged groups and communities. |
| 10.3.5             | Implement the Sustainable Biofuels Obligation.   |

## ERP1 Actions discontinued by this government

| ERP1 Action number | Discontinued action  |
|--------------------|--|
| 3.2.2b             | Support regions and industries to manage the transition.   |
| 3.3.1              | Develop an income insurance scheme.  |
| 5.2.1              | Adjust the NZ ETS to drive a balance of gross and net emissions reductions.  |
| 5.2.3              | Assess how the NZ ETS can support indigenous biodiversity.   |
| 6.10               | Establish the Climate Emergency Response Fund (CERF) to ensure the climate is prioritised in the Budget process.   |
| 9.4                | Support businesses moving to circular economy models.  |
| 10.2.1             | Continue to incentivise the uptake of low- and zero-emissions vehicles through the Clean Vehicle Discount scheme and consider the future of the Road User Charge exemption for light vehicles beyond 2024. |
| 10.2.1             | Establish whether the Clean Vehicle Discount can be extended to other vehicle classes.   |
| 11.1.1             | Provide rebates for energy efficient equipment.  |
| 11.2.2             | Investigate options for dry-year electricity storage through the New Zealand Battery Project.  |
| 11.4.1             | Set an action plan for decarbonising the industrial sector.  |
| 11.4.1             | Continue the roll out of the Government Investment in Decarbonising Industry (GIDI) fund.  |
| 11.4.1             | Fund further decarbonisation of industry and heat through expansion of the GIDI.   |

| ERP1<br>Action<br>number | Discontinued action  |
|--------------------------|--|
| 11.4.1                   | Provide grant funding for commercial space and water heating and high efficiency electrical equipment. |
| 11.4.1                   | Finalise and implement the Advanced Manufacturing Industry Transformation Plan.                        |
| 14.4.1                   | Develop forestry and wood processing industry transformation plan (ITP).                               |