Climate Change
CHIEF EXECUTIVES BOARD

Climate Change
Chief Executives Board

MEETING PAPERS

Wednesday 25 October 2023
11.00am – 12.00pm

Climate Change
CHIEF EXECUTIVES BOARD

Karakia

Karakia timatatanga: opening

Tuia i runga	Unite above
Tuia i raro	Unite below
Tuia i roto	Unite without
Tuia i waho	Unite within
Tuia i te here tangata	Listen to the night
Ka rongo te pō	Listen to the world
Ka rongo te ao	Now we come together
Haumi ē, Hui ē, Tāiki ē	As one.

Karakia whakakapi: closing

Kia whakairia te tapu	Restrictions are moved aside
Kia wātea ai te ara	So the pathway is clear
Kia turuki whakataha ai	To return to everyday activities.
Haumi ē, hui ē, tāiki ē	

Climate Change Chief Executives Board
Meeting Agenda
Wednesday 25 October 2023, 1100am–1200pm
Online via MS Teams

Attendees	James Palmer (Chair, MfE), Audrey Sonerson (MoT), Caralee McLiesh (Tsy), Carolyn Tremain (MBIE), Dave Gawn (NEMA), Paul James (DIA), Penny Nelson (DoC), Ray Smith (MPI), Aaron Martin (CL)
In support	Lisa Daniell, Chris Nees, Amy Tisdall, Rachael Church (IEB Unit)
Agency attendees	Hemi Smiler, Simon Mandal-Johnson, Stephen Goodman (MfE)

Previous meeting: 12 October 2023 Board strategy session	Current meeting: 25 October 2023	Next meeting: 21 November 2023
• Adaptation strategic priorities • Draft BIM review and related advice • Key take-aways on 27 September discussion of views of New Zealanders on climate change	• Context sharing and new government priorities • Approach to the Board's advice to incoming government	• ERP2 update – tertiary advice • Adaptation actions and indicators • Delivering the climate response through nature • CCIEB quarterly dashboard

#	Time	Item	Recommended actions
		Karakia tīmatanga	
1.0	1100-1115	**Open session: context sharing and new government priorities**	
2.0	1115-1155	**Approach to the Board's advice to incoming government** **Lead:** Climate IEB and MfE **Purpose** Confirm proposed approach to the Board's secondary advice, which has been revised following further input from cross agency directors. s 9(2)(g)(i) **Context** There are four stages of advice planned or to be commissioned: 1. IEB BIM. This is in final stages of preparation. 2. Initial advice on progressing the second emissions reduction plan in 2024 (as originally proposed – paper 2.3 for this meeting). 3. Collective advice on how to meet the new government's initial climate priorities (alternative to previously proposed CRMG advice on priorities). 4. Advice on setting up for the development of ERP2 (amended approach, focusing on an updated analysis of emissions projections reflecting new government policies where possible and key decisions required to develop ERP2).	1. **Provide direction** on the draft **Stage 2 advice** (paper 2.3): • Does the overall tone and pitch of the advice strike the right balance between being responsive and articulating the legal requirements of the CCRA? • s 9(2)(g)(i) 2. **Confirm** whether the Board wishes to commission collective advice on how to support the government's climate priorities (stage 3 advice). 3. **Note** the revised approach to stage 4 advice and agree that the Board's commissioned work on the strategic framework and Pathways to 2050 continues and is ready for engagement with Ministers in early 2024.

		The draft stage 2 advice (in paper 2.3) is currently framed in a neutral way, setting out those requirements, an assessment of what meeting the emissions budgets requires, and the forthcoming advice on how we propose to support Ministers to deliver a second emissions reductions plan. ***Supporting papers:*** *2.1 Outline of Board's early briefings to Ministers* *2.2 Summary of National climate priorities (100-day plan and Blueprint)* *2.3 Initial advice on progressing the second emissions reduction plan in 2024* *2.4 Crown Law Advice - Summary of key climate change advice for the Climate Change Chief Executives Board [Legally Privileged]*	
3.0	1158-1200	**Meeting administration** **Lead:** Chair 3.1 Minutes of previous meetings, held on 17 August and 30 August 2023	**Approve** the minutes of the previous meetings, held on 17 August 2023 and 30 August 2023
Karakia whakamutunga			

Climate Change
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Paper 2.1

Proposed Board advice to incoming government

Context

We expect that the focus of Ministers and agencies in the initial 100 days will be about building trust and delivering on the new Government's key priorities. It is unclear when there will be an opportunity to deliver wider strategic advice about direction of the ERP. As a result, we propose a revised approach to the Board's streams of secondary advice to Ministers that would follow the BIM. This advice is set out in the table below.

Work will continue on the Board's commissioned work to develop different pathways to achieve the 2050 target, and the strategic questions Ministers need to address (including the role of price) so that we are ready to engage Ministers at the right opportunity. Decisions on these matters will be required in early 2024 in order to deliver ERP2.

Proposed advice

Advice stream	Product and summary of what this contains/sets up for
Stage 1: (To PM, with cc to relevant portfolio Ministers)	**Climate IEB BIM** First messages from Board on climate change, the Board's role, and upcoming choices (high level). Briefing note will recommend establishing a grouping such as CRMG for cross-ministerial decision making; and request meeting with the Board.
Stage 2 advice: (tentatively November)	**2.a An overview of the ERP and Emissions Budgets framework** Purpose: Support Ministers to understand the current legislative framework and the requirements it creates to meet Budgets. s 9(2)(g)(i) Contains: • Briefing note (current draft attached for Board feedback as paper 2.3) that sets out our understanding of new Government priorities, the CCRA framework/legislative architecture, emissions budgets. Drafted as a neutral explanation of the architecture and budgets. • Crown Law advice on ZCA and legal matters (as this detailed legal advice won't go with primary Climate IEB BIM). **2.b Supporting Ministers to deliver on their initial priorities for climate policy** • Collective advice on how to deliver the incoming government's stated priorities for climate adaptation and mitigation policy. A number of priorities within the incoming Government's plans will require cross agency effort to deliver (such as lowering agricultural and energy emissions, stronger emissions pricing and an adaptation framework). To prepare for a potential Ministerial engagement on these issues the IEB Unit would coordinate a set

	of A3s or slides outlining how we can support collective delivery of these Government priorities including implications and trade-offs and what decisions are needed to progress these.

Stage 3 advice
 	
(tentatively December)
	Setting up for the Delivery of ERP2
	
	A briefing note that follows from 2a, that
	
	• Confirms our understanding of new Government priorities, informed by information from early engagements agencies have had at a portfolio level.
	
	• Sets out current state of ERP1 and emissions budgets:
	
	  ○ Updated projections of progress towards emissions budgets, where possible quantifying the impact of new govt policies, while qualitatively describing the others.
	
	  ○ What we consider are the highest priority actions across ERP1 and where there are opportunities to rationalise or stop actions.
	
	• Analysis of the legal implications of any changes to ERP1 that government is considering (framed in the context of where there is/isn't flexibility under current law).
	
	• Agrees a process for developing ERP2 and priorities Ministers have for achieving emissions reductions.
	
	• Setting out the key steps required to publish ERP2 under current legislation (to publish by Dec 2024), including consultation, and a proposed timetable for delivering this.

Other material under development for early 2024	• Board's previously commissioned advice on pathways to 2050, and advice on the key strategic questions to address in the development of ERP2. This will be ready for early 2024 rather than December 2023. • Agencies are continuing to work on their options for delivering abatement within the 'systems' workstreams that have been agreed in ERP2.

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Paper 2.2

Summary of National Party's stated climate priorities

1. This note summarises the stated climate priorities and key policy proposals of the National Party, drawing from the *100 Day Action Plan* and *Blueprint for a Better Environment*. It will need to be updated with a definitive list from Ministers once a new Government is formed.

2. New Zealand has set domestic emissions budgets to meet the 2050 target. Our latest projections suggest New Zealand's emissions can land within the first emissions budget (2022-25) by a small margin. Achieving the second (2026-30) and third emissions budgets (2031-35) will be a greater challenge. While current modelling suggests both can be met, they only have small buffers, and there is considerable uncertainty in these projections.[1]

3. Based on the *National Party's 100 Day Action Plan* and *Blueprint for a Better Environment*, there will be changes to existing climate policies and the creation of new ones by the incoming government. Agencies will work closely with new ministers to deliver their climate priorities and proposals.

4. Agencies are working to assess these impacts in preparation for early conversations with Ministers.

5. Changes to existing climate policies may affect emissions reductions and progress towards emissions budgets. Introducing new policies could reduce emissions over time but will likely take time to bed in. It is important to consider the impact of the incoming government's priorities and proposals on future emissions budgets and the 2050 target, as well as focus on current budgets.

6. The IEB Unit is conducting a formal sufficiency update with agencies, a draft of which will be presented to Climate DCEs on 8 November. This sufficiency update can inform the first pieces of advice to incoming Ministers.

[1] There are high levels of uncertainty in projecting emissions and assessing potential impact of policies. They are based on a wide range of assumptions and are heavily influenced by inputs that are difficult to accurately forecast. For example, milk prices, which are highly variable, are a key input to agricultural emissions projections. It will be important new ministers understand these limitations and use projections appropriately.

Climate
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Paper 2.2

National's 100-day plan (available here)	National's Blueprint for a Better Environment (available here)
National's first actions to rebuild the economy and reduce the cost of living • Remove the Auckland Regional Fuel Tax • Repeal Ute Tax by 31 Dec 2023 • Establish a permanent Rural Regulation Review Panel to assess all regulations affecting the primary sector and propose solutions to cut red tape *National's first actions to deliver better housing and infrastructure* • Meet with Councils and communities to establish regional requirements for recovery from Cyclone Gabrielle and other recent major flooding events. • Make any additional Orders in Council needed to remove red tape to speed up cyclone and flood recovery efforts. • Begin work on establishing a National Infrastructure Agency • Issue a draft new Government Policy Statement on Transport reflecting National's new Roads of National Significance and public transport projects • Begin efforts to double renewable energy production, including work to issue a National Policy Statement for Renewable Electricity Generation • Stop work on Lake Onslow pumped hydro scheme	*Delivering for the Climate* • National is "absolutely committed" to NZ's climate change targets, including net zero GHG excluding biogenic methane by 2050; biogenic methane reduced by 10% by 2030 and 24-47% by 2050 compared with 2017 levels; and NDC of reducing GHG to 50% below gross 2005 levels by 2030. • NZ is off track for its 2030 climate change goals. With time running out, NZ needs effective action on emissions. National's climate change plan targets NZ's three main sources of emissions – agriculture, energy and transport. [National have mentioned removing or rescoping GIDI, as well as repealing the ban on offshore oil and gas exploration. The Blueprint does not specifically commit to these, but criticises both policies]. • Lower agriculture emissions: - Give farmers the tools they need to reduce emissions (end the effective ban on GE and GM technologies; farm-level emissions measurement by 2025; continued sector-led investment in R&D to reduce on-farm GHG; full recognition of on-farm sequestration) - Fair and sustainable pricing of on-farm emissions by 2030 (split gas approach to keep agriculture out of the ETS; prices set to reduce emissions without sending agricultural production overseas; review methane targets for consistency with no additional warming from agriculture) - Limits on farm conversions to forestry on high quality land from 2024 to protect highly productive farm land • Lower energy emissions: - Goal of doubling the supply of affordable, clean energy by 2050 - Turbo-charge investment in clean renewable energy by requiring decisions on most resource consents in 1 year - Unleash investment in transmission and local lines by eliminating consents for upgrades to existing infrastructure and most new infrastructure - Enable rapid investment in offshore wind generation by fast-tracking permits for offshore wind while protecting the environment • Lower transport emissions - Invest $257m over 4 years to deliver 10,000 EV chargers by 2030 - Cut the red tape holding back EV infrastructure investment by eliminating the need for resource consents for EV charging points to reduce up-front costs - Support the phase down of fossil fuels by enabling the development of sustainable aviation and marine biofuels to help decarbonise heavy transport • Stronger emissions pricing - Set emissions budgets to deliver sustained increases in the ETS price over time to support lower emissions - Introduce 100% recognition of on-farm sequestration in the ETS on a scientifically robust and additional basis - Ensure professional management and oversight of the ETS and introduce appropriate market regulations • Adaptation: - Work with stakeholders (including local government, insurers and communities) to develop an adaptation framework to guide how costs associated with the changing climate will be shared between central and local governments, property owners and insurers. - Seek to build a consensus for the funding of infrastructure, recovery from extreme weather events, and data collection. - Gather and share high-quality information so that property owners and insurers can properly understand risks. - Streamline rules for landowners near flood-prone rivers to undertake preventative maintenance and recover from extreme weather events. *Boosting Biodiversity* • Remove and control spread of wilding pines, including via access to advanced biotechnologies as they become available. • Support wetland rehabilitation, by eliminating resource consents to establish new wetlands; consider including wetlands in the ETS; and investigating biodiversity credits. *Further Changes* • Reducing Waste: Redefine waste levy distribution and accountability for sector investment • Fixing planning laws: - Repeal the Natural and Built Environment Act and related legislation by Christmas 2023 with planning to revert to previous RMA rules. Commence work to replace the RMA. - Amend existing rules to support rapid investment in infrastructure while protecting the environment.

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The Climate Change Chief Executives Board: Progressing the second emissions reduction plan

Date submitted: 11 January 2024
Tracking number: BRF- 3987
Security level: In-Confidence (Appendix 2 Legally privileged)
MfE priority: Not urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS Minister of Climate Change	**Forward** this briefing to Ministers who have a portfolio link to climate change policy	7 February 2024
CC Hon Nicola WILLIS, Minister of Finance Associate Minister of Climate Change	For information and feedback	N/A

Actions for Minister's office staff
If agreed, forward this briefing to: Rt Hon Christopher Luxon (Prime Minister); Hon Chris Bishop (Minister for Infrastructure, Responsible for RMA Reform), Hon Simeon Brown (Minister for Energy, of Transport, of Local Government); Hon Todd McClay (Minister of Agriculture, of Forestry), Hon Tama Potaka (Minister for Māori -Crown Relationships, of Conservation), Hon Shane Jones (Minister for Resources, for Regional Development), Hon Penny Simmonds (Minister for the Environment) **Return** the signed briefing to the Climate Change IEB Unit (CCIEB@mfe.govt.nz)
Appendices
Appendix 1: How New Zealand's climate targets compare to our top trading partners s 9(2)(h)

Key contacts			
Position	***Name***	***Cell phone***	***First contact***
Principal Author	Sylvia Frean		
Deputy Executive Director	Chris Nees	s 9(2)(a)	✓
Executive Director	Lisa Daniell	s 9(2)(a)	

Minister comments

Executive Summary

Purpose

1. This paper provides context on New Zealand's climate change architecture to support bilateral discussions early this year. It will also support the initial meetings of the Climate Ministers Group in February and March when discussions focus on progressing the government's mitigation priorities as part of the delivery of the second emissions reduction plan. This paper provides a summary of:
    - New Zealand's legislative framework for reducing emissions and building resilience to the effects of climate change
    - how New Zealand is progressing towards the first emissions budget
    - where the legislation provides flexibility around meeting emissions budgets; and
    - key challenges in developing the second emissions reduction plan.

New Zealand's climate change mitigation architecture

2. New Zealand ratified the Paris Agreement in 2016. It commits parties to tackling climate change and accelerating the actions and investments necessary for transitioning to a sustainable low carbon future.
3. As part of the Paris Agreement, New Zealand agreed to set progressively ambitious targets that contribute to the global climate response. New Zealand's first such target (or Nationally Determined Contribution) commits to reduce net emissions to 50 per cent below gross 2005 levels by 2030.
4. The Climate Change Response (Zero Carbon) Amendment Act was enacted in 2019. This introduced a framework to manage New Zealand's transition to a low-emissions, climate-resilient economy. The Act is intended to support clear and stable climate change policies that provide predictability for New Zealand households, businesses, and investors. It legislates a domestic emissions reduction target to achieve:
    - 10 per cent reduction below 2017 biogenic methane emissions by 2030, and 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050
    - net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050.
5. A key requirement in the Climate Change Response Act 2002 (the Act) is the duty for the Minister of Climate Change to set and meet a series of emissions budgets in line with achieving the domestic target. The Minister must also create an emissions reduction plan to achieve each emissions budget.
6. Emissions budgets have been set for the periods 2022-2025, 2026-2030 and 2031-2035. These will need to be achieved and reported against as important milestones on the pathway to New Zealand's 2050 target.
7. The Act requires New Zealand's second emissions reduction plan to be published by 31 December 2024. This plan needs to show how New Zealand will meet the second emissions budget (2026-2030). The plan will also be important for supporting New Zealand's pathway to achieving the 2050 target.
8. The Government must consider the Climate Change Commission's advice on the policy direction for the second emissions reduction plan (released in December 2023), in the development of its plan.

Your priorities for climate change mitigation

9. We understand the Government is committed to achieving New Zealand's 2050 emissions reduction targets and has a number of key priorities for climate change action to support the reduction of emissions. These include the doubling of New Zealand's renewable energy, delivering 10,000 new EV charging stations, and supporting new technology to reduce agricultural emissions.
10. The development and delivery of the second emissions reduction plan is the opportunity to both consider the recent advice of the Climate Change Commission, bring together the Government's priorities and set out an overall approach for reducing emissions and achieving New Zealand's targets and commitments.
11. In addition, New Zealand has an ambitious international commitment, our Nationally Determined Contribution, to reduce net greenhouse gas emissions by 50 per cent below gross 2005 levels by 2030. This requires significantly more abatement than our domestic goals for the same period. The actions taken in this term of Government will support progress towards that international commitment.
12. The Climate Change Chief Executives Board (the Board) will support the implementation of your priorities for reducing emissions, including as part of developing and delivering the second emissions reduction plan.

Current progress towards New Zealand's climate goals

13. New Zealand is currently halfway through its first emissions budget (2022-2025) and the first emissions reduction plan. The Board can provide you with updates on progress with this plan, and with projections of the ability to meet emissions budgets.[1]
14. These projections are 'snapshots in time' and are subject to uncertainty and change. They will change with each update as they reflect updated assumptions about economic activity, and the impacts of policy settings. They will also reflect updates to the way emissions are measured (methodological adjustments). All these factors will impact on New Zealand's ability to meet its budget and change with each update.
15. The level of emissions permitted in the first emissions budget period is 290 Mt CO_2-e. The most recent projections show that New Zealand can land within the first emissions budget. Emissions are projected to land within a range of 272 to 284 Mt CO_2-e. This is below the limit for the first budget, with a 'buffer' of 13 Mt CO_2-e (or 4% of the budget) from the central estimate of the range. These projections are based on economic, sector data at 1 July 2023 and do not reflect any changes to policy settings since that date.
16. Projections for the second and third emissions budgets are outlined in paragraphs 40-42 of this briefing. The Board can provide you with updated assessments of our ability to meet these budgets that reflect your preferred policy approach to reducing emissions, through the development of the second emissions reduction plan. The Act provides some flexibility to manage the uncertainty over meeting emissions budgets, but it is limited.

[1] The Board can provide regular reporting against climate outcomes, to suit your preferred frequency, e.g. quarterly. Updated information on meeting emissions budgets can be provided every six months, reflecting the modelling effort required to produce these updates.

Recommendations

17. It is recommended that you:

1. **Note** that this briefing on New Zealand's climate change architecture will support bilateral meetings with key colleagues on your climate priorities and statutory requirements to consider when developing the second emissions reduction plan in early 2024.

2. **Note** that the second emissions reduction plan must be published by the end of 2024

3. **Note** that the Parliamentary Commissioner for the Environment's review of the first emissions reduction plan recommends the second plan start with clearer direction from Ministers on their priorities and on key questions such as your preferred balance between net and gross emissions reductions

4. **Agree** to forward this briefing note to the Ministers indicated on the front of this briefing

Yes | No

5. **Note** that the Climate Change Response Act 2002 sets out the legislative framework to enable New Zealand to mitigate and adapt to the effects of climate change, which includes:

   a. a duty for the Minister of Climate Change to set emissions budgets and ensure that they are met

   b. a requirement for the Minister of Climate Change to prepare and publish emissions reduction plans that set out the policies and strategies to meet emissions budgets

6. **Note** that the emissions reductions and removals that New Zealand achieves domestically will count towards our Nationally Determined Contribution for 2021-2030 and limit the need for international purchasing

7. **Note** that New Zealand's Nationally Determined Contribution for 2021-2030 requires around 100 Mt CO_2-e more abatement than what is required by the first and second emissions budgets

8. **Note** that the Climate Change Response Act 2002 provides a limited amount of flexibility to revise emissions budgets and emissions reduction plans, and also the ability to bank or borrow up to 1% of allowable emissions between adjacent emissions budgets

9. s 9(2)(h) [redacted]

Signatures

pp 

Lisa Daniell
Executive Director
Climate Change Chief Executives Board Unit

Date

Hon Simon WATTS
Minister of Climate Change

Date

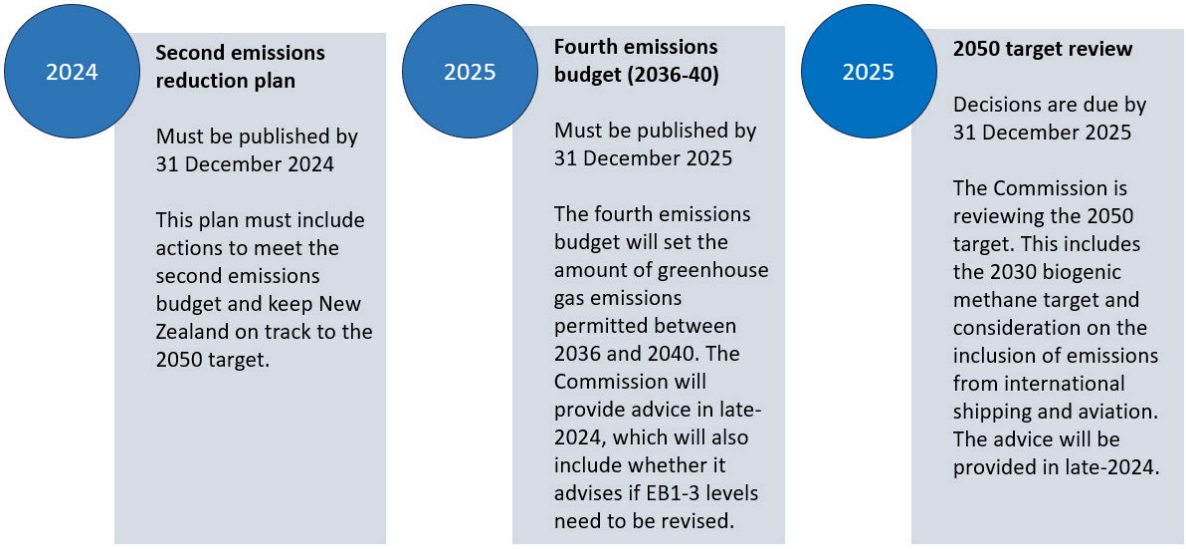
Purpose

18. This paper provides context on New Zealand's climate change mitigation architecture to support bilateral discussions early this year, and to support a meeting of Climate Ministers in March on developing the second emissions reduction plan. It provides a summary of:
    - New Zealand's legislative framework for reducing emissions and building resilience to the effects of climate change
    - how New Zealand is progressing towards the first emissions budget
    - where the legislation provides flexibility around meeting emissions budgets; and
    - key challenges in developing the second emissions reduction plan.

Background on the Zero Carbon Framework

19. The Climate Change Response Act 2002 (the Act) sets out the requirements for New Zealand's domestic response to climate change and creates obligations for successive governments.
20. Over this parliamentary term, you have a series of decisions to make, focusing on three milestones in the Act (see **Figure 1**). These are significant opportunities for you to shape the direction of New Zealand's transition to a low-emissions, climate-resilient economy and ensure New Zealand's climate response aligns with your priorities and preferences.

Figure 1. Upcoming milestones under the Climate Change Response Act 2002



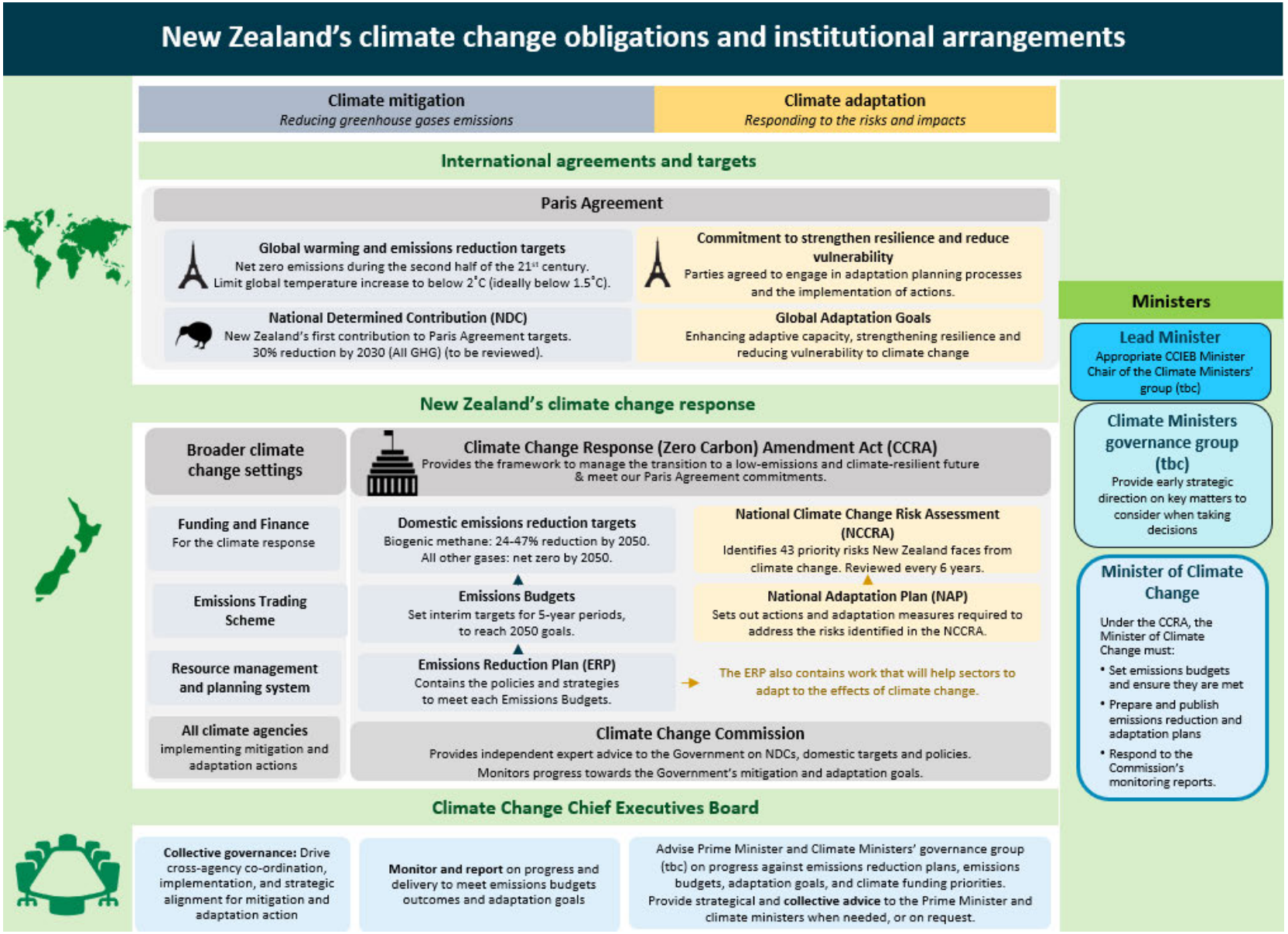
A framework to reduce emissions and build resilience was passed in 2019

21. The Climate Change Response (Zero Carbon) Amendment Act introduced a framework to develop clear and stable climate change policies that contribute to global efforts and enable New Zealand to prepare for, and adapt to, the effects of climate change. For mitigation, this framework established:
    - A Climate Change Commission **(the Commission)** that provides independent expert advice to the Minister of Climate Change on climate change matters (including reducing emissions and adapting to the effects of climate change) and independently monitors the government's progress towards its climate goals.
    - A legislative target for 2050 **(the 2050 target)** that requires:
        - all greenhouse gas emissions (except biogenic methane) to reach net zero by 2050 and to maintain net zero in each subsequent year
        - gross biogenic methane emissions to reduce to 10 per cent below 2017 levels 2030
        - gross biogenic methane emissions to reduce to 24-47 per cent below 2017 levels by 2050.
    - A system of legally binding **emissions budgets** that cap the amount of net greenhouse gas emissions that are permitted across successive five-year periods (or four years in the case of the first emissions budget). They are designed to step New Zealand towards the 2050 target and balance flexibility with policy predictability. The Minster of Climate Change has a specific statutory duty to set emissions budgets and ensure they are met.
    - A requirement for **emissions reduction plans** that contain the policies and strategies for meeting the upcoming emissions budget(s) and keep New Zealand on track to achieving the 2050 target. The Minister of Climate Change must prepare and publish a new plan at least 12 months before each emissions budget commences.

There are statutory requirements that must be met when preparing all emissions reduction plans

22. In preparing the second emissions reduction plan, the Minister of Climate Change must consider the Commission's recommended policy direction and ensure that consultation has been adequate, including with sector representatives, affected communities, and iwi and Māori.
23. In addition to setting out the policies and strategies to meet the upcoming emissions budget, emissions reduction plans must contain:
    - sector-specific policies to reduce emissions and increase removals
    - a multi-sector strategy to meet emissions budgets and support the ability of those sectors to adapt to the effects of climate change; and
    - 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.
24. **Figure 2** overleaf shows New Zealand's climate change obligations and institutional arrangements.

Figure 2. New Zealand's climate change obligations and institutional arrangements

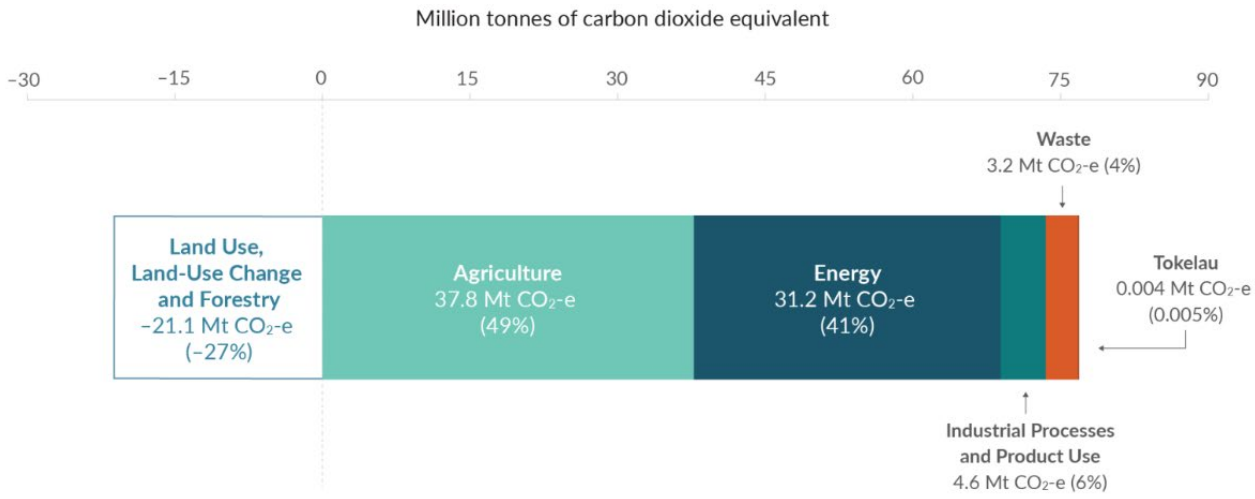


New Zealand's unique circumstances influenced the 2050 target and Nationally Determined Contribution (NDC) for 2030

The 2050 target reflects New Zealand's emissions profile

25. New Zealand's emissions profile (**Figure 3**) differs from other developed countries, largely due to the high proportion of its agricultural emissions. In 2021, the agricultural and energy sectors contributed the most to New Zealand's gross greenhouse emissions at 49 per cent and 41 per cent respectively. New Zealand's emissions profile is similar to Ireland, where agriculture contributes a large proportion of its annual greenhouse gas emissions.[2]
26. New Zealand also has a relatively small energy and industry sector compared to most developed countries. While New Zealand has high per-capita transport emissions, the high proportion of renewable electricity generation has a significant impact on the country's emissions profile and drives up the relative contribution of the agriculture sector to the overall profile.
27. The 2050 target reflects New Zealand's emissions profile by including a separate requirement for biogenic methane (for which there are currently few technological solutions and therefore abatement challenges).

Figure 3: Breakdown of New Zealand's emissions (in million tonnes of carbon dioxide equivalent, Mt CO_2-e) by sector in 2021



Comparing New Zealand's domestic target with its key trading partners is complex

28. While a useful benchmark, comparing New Zealand's domestic 2050 target with other countries is not straightforward. Targets can vary due to a range of factors, including:

[2] Ireland's agriculture sector was directly responsible for 38.4% of its national greenhouse gas emissions in 2022. These emissions were mainly methane from livestock, and nitrous oxide due to the use of nitrogen fertiliser and manure management.

- different starting points (for example, different emissions profiles, energy mix and industrial structures)
- the cost of reducing emissions can vary greatly between countries
- the previous actions that countries have taken to reduce their carbon emissions
- economic and social contexts of different countries; and
- equity considerations and the need for developed countries to take on more ambitious targets than developing countries.

New Zealand's first NDC as compared to developed countries

29. New Zealand's NDC for 2021-2030 is similar to those set by the United States and the European Union. New Zealand and the United States are both targeting 50 per cent below 2005 levels by 2030, with the European Union targeting higher emissions reductions at 55 per cent below 1990 levels by 2030. By comparison, Australia's NDC targets 43 per cent below 2005 levels by 2030.
30. s 9(2)(g)(i) . All countries will report their progress towards NDC1 in the December 2024 Biennial Transparency Review due under the Paris Agreement. s 9(2)(g)(i)
31. Further information on how New Zealand's climate targets compares against its top trading countries is provided in **Appendix 1.**

Current status: Emissions budgets and the first emissions reduction plan

The first three emissions budgets have been set

32. New Zealand's first three emissions budgets were published in May 2022 (**Table 1**).
33. The legislation requires three emissions budgets to be in place at any given time. This is designed to provide households, businesses, and investors with greater predictability around the emissions reductions and removals that will be required.

Table 1. New Zealand's first three emissions budgets

	Emissions budget 1 (2022-2025)	Emissions budget 2 (2026-2030)	Emissions budget 3 (2031-2035)
All gases, net (AR5[4])	290 $MtCO_2$-e	305 $MtCO_2$-e	240 $MtCO_2$-e
Annual average	72.5 $MtCO_2$-e	61 $MtCO_2$-e	48 $MtCO_2$-e

s 9(2)(g)(i)

[4] AR5 is the Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change, completed in 2014. Retrieved from https://www.ipcc.ch/assessment-report/ar5/ (21 April 2022).

New Zealand's first emissions reduction plan was published in May 2022 and is currently being implemented

34. The first plan has over 300 actions to meet the first emissions budget. Actions range from the development of strategies (such as an energy strategy and a national freight and supply chain strategy), pricing of emissions, investment (including in emerging technologies), regulation, and information provision.

35. Some actions are designed to have an immediate impact (such as improving communications and marketing activities to encourage New Zealanders to understand energy and climate change, take climate-positive actions, and live with less energy). Other actions support the achievement of future emissions budgets (notable examples include the energy strategy and the national EV-charging infrastructure strategy).

The Zero Carbon Framework balances predictability with flexibility

36. The Zero Carbon Framework is intended to support clear and stable climate change policies that provide predictability for New Zealand households, businesses, and investors. This predictability is balanced with several flexibility mechanisms that provide some ability to adjust New Zealand's climate response if circumstances change, as shown in **Table 2**.

Table 2. Flexibility mechanisms within the Zero Carbon Framework

Area	Flexibility mechanism	Description
Emissions budgets	Revising emissions budgets	Emissions budgets can only be revised if a revision is recommended by the Climate Change Commission and certain criteria are met. These criteria vary depending on the status of the emissions budget period. • An upcoming emissions budget can be revised if: — there have been methodological improvements to the way emissions are measured and reported; or — significant changes have affected the considerations on which an emissions budget was based. • Once an emissions budget has begun, it can only be revised in exceptional circumstances. • An emissions budget cannot be revised after the period has ended.
	Banking*	Banking allows you to capitalise on any additional abatement achieved, by enabling you to count it towards the next emissions budget, making it easier to meet.
	Borrowing*	Borrowing can help you meet an emission budget by allowing you to use up to 1 per cent of the next emissions budget. This can help to address a shortfall but will make the next emissions budget harder to meet.
	Offshore mitigation*	Offshore mitigation (also known as international cooperation) may be used if there has been a "significant change in circumstance" affecting the considerations on which the relevant emissions budget was based and that affects the ability to meet that emissions budget domestically.

Emissions reduction plans	Adjusting emissions reduction plans	Emissions reduction plans can be adjusted at any time to retain the plan's currency and respond to changing circumstances. You may choose whether to adjust the policy settings without changing the published emissions reduction plan or change the official emissions reduction plan to keep it current. This flexibility in policy approach does not detract from the Minister's duty to meet emissions budgets, however, and a current plan may make it easier to demonstrate to the public that New Zealand remains on track.

* Decisions on banking, borrowing and offshore mitigation can only be made after the Climate Change Commission provides its final report at the end of the emissions budget period. Its report on whether New Zealand has achieved its first emissions budget will be provided in mid-2027 and will contain advice on banking/borrowing and the use of offshore mitigation. The Minister of Climate Change must have regard to this advice.

Current status: progress towards New Zealand's climate goals

37. Emissions projections make assumptions about the future and are based on current knowledge, so are inherently uncertain. They are the best source of information we have about progress towards emissions budgets. The further out our projections run into the future, the greater the uncertainty in the estimates. Projections will change to reflect updated assumptions and information about economic conditions, policy effectiveness and how emissions are measured.

38. The projections set out below reflect economic, sector data, and policy settings at 1 July 2023. As a result, future projections updates will change to reflect:

- **Updated information on economic conditions and emissions patterns.** Projections reflect the best available information on economic conditions, such as GDP, and emissions trends, which change regularly. One example of the latter is that current projections incorporate recent data reflecting lower-than-expected rates of travel. This decline in travel is not fully understood and a range of factors are likely to have contributed, meaning this trend may change in future.
- **NZ ETS assumptions**. The NZ Emissions Trading Scheme (NZ ETS) is a key driver of emissions across most sectors of the economy. Officials discussed in recent meetings with you, that the 2023 projections for the transport and energy sectors assume a rising NZ ETS price which is unlikely to occur under current policy settings. This does not reflect officials understanding of the NZ ETS market, as officials anticipate prices are likely to fall around 2030 because of the availability of low-cost forestry removals. As a result, the current projections are likely to overstate emissions reductions in the third emissions budget period. 2024 projections will include updated NZ ETS price assumptions and reflect officials understanding of the NZ ETS market and impacts including from the above effects.
- **Incorporating policy changes**. The 2023 projections are based on policy and modelling assumptions at 1 July 2023, apart from the NZ ETS settings point noted above. Future updates will include the impacts of new policies as well as from removing any previous government policies.
- **Measurement changes**. Changes to the way emissions are measured occur annually, as part of the development of New Zealand's greenhouse gas inventory which is released in April each year. In 2024 the inventory is likely to include

significant changes in the measurement of emissions in the agricultural sector which will also impact the 2024 emission projections.

The latest projections show New Zealand can meet its first and second emissions budgets…

39. Projections based on economic and sector data at 1 July 2023, show that New Zealand can land within the **first emissions budget**. Emissions are projected to land within a range of 272 to 284 Mt CO_2-e. This is below the limit of 290 Mt CO_2-e for the first budget, providing a 'buffer' of 13 Mt CO_2-e (or around 4 per cent of the first emissions budget).[5] These projections do not reflect any changes you may wish to make to policy settings.

40. The projections show that New Zealand can also land within the **second emissions budget.** Emissions are projected to land within a range of 267 to 296 Mt CO_2-e, which is below the limit of 305 Mt CO_2-e, with a 'buffer' of 24 Mt CO_2-e (around 7.8% of the budget). Again, these estimates do not reflect any changes to policy settings.

…but projections for the third emissions budget show our current ability to meet this is uncertain

41. The projections for the **third emissions budget** show a range of outcomes are possible, including both meeting and not meeting the budget. The emissions budget of 240 Mt CO_2-e sits within the projected range of 203 to 264 Mt CO_2-e.

42. The risk of not meeting the third emissions budget is heightened, because these projections are likely to overstate emissions reductions for the third budget period. They assume rising NZ ETS prices over time, which is unlikely to happen under current policy settings. NZ ETS prices are expected to peak and then fall from around 2030 (over the third emissions budget period), driven by the supply of New Zealand Units (NZUs) into the NZ ETS.

Timing of future updates

43. The next projections update will be in the second half of next year including new information on the matters sets out above and continuously improved methods of making projections.

[5] This is calculated from the central estimate of the range.

Developing the second emissions reduction plan presents opportunities and challenges

The second emissions reduction plan will set out how New Zealand will meet the second emissions budget and provide the foundations for future emissions budget periods

44. The development of the second emissions reduction plan is a key opportunity for this Government to set the path for achieving the second and subsequent emissions budgets.
45. There are several constraints associated with developing the second plan, including timing, a need to respond with greater urgency on climate action, steeper targets for later emissions budgets, and growing legal scrutiny.
46. There are three main timing constraints:

    - This plan needs to be finalised by 31 December 2024 – one year before the second emissions budget period (2026-30) starts and the first emissions budget period (2022-25) ends. Engagement with climate Ministers in early 2024 will be critical to set the direction of the plan.
    - Preparing the second emissions reduction plan will require close coordination across multiple Ministerial portfolios and multiple government agencies. This takes time and will need to be prioritised by Ministers and agencies.
    - Public consultation and targeted engagement (including with the private sector, local government, and Māori) are critical components (as well as legal requirements) that influence the shape of actions contained within the second emissions reduction plan. Adequate consultation is needed to ensure that the second emissions reduction plan has a strong public mandate.

Decisions are needed to strengthen and accelerate our existing climate response

47. The Board's most recent six-monthly report on the implementation of the first emissions reduction plan found greater urgency is needed to achieve New Zealand's climate change goals.
48. The call for more urgent action reflects significant changes to the context of New Zealand's climate change response over the last six months. These include extreme weather events such as Cyclone Gabrielle, which have challenged New Zealanders' (and agencies) understanding of climate change mitigation and adaptation, and how they interact. These events highlighted actions included in emissions reduction plans need to not only reduce emissions, but also increase New Zealand's resilience to the consequences of climate change.

Achieving the second and third emissions budgets requires steeper reductions than the first one

49. The emissions reductions required by the first three emissions budgets are significant, with the level of reductions increasing over each budget period. Achieving the second emissions budget (2026-2030) will require a 15.9 per cent reduction in annual emissions (compared to 2021 levels). The third emissions budget (2031-2035) is more ambitious

again, requiring a 33.8 per cent reduction in annual emissions (compared to 2021 levels).

50. While additional actions are needed to deliver the necessary reductions, they will come with social and economic impacts on New Zealand households and communities. The Act requires each plan to include a strategy to mitigate distributional impacts to deliver a fair and equitable transition.

New Zealand's commitments under the Paris Agreement mean deeper reductions are required than what will be delivered by the first two emissions budgets

51. New Zealand's first Nationally Determined Contribution for 2030 (NDC1) commits to a 50 per cent reduction of net emissions (below gross 2005 levels) by 2030.[6] This covers all domestic sectors and all greenhouse gases.
52. While emissions budgets must be met largely through domestic action, New Zealand's NDC can be met through a combination of domestic action and international cooperation.
53. The domestic emissions reductions that New Zealand achieves in the first and second emissions budget periods will count towards NDC1. However, the reductions needed to meet NDC1 is larger than what will be delivered by the first and second emissions budgets.
54. Officials currently estimate that NDC1 will require 97 Mt CO_2e more emissions reductions between 2021 and 2030 than the first two emissions budgets (spanning 2022-2030 inclusive) and our emissions in 2021. Based on the latest projections, meeting NDC1 is likely to require between 60-100 Mt CO_2e offshore mitigation.
55. In developing the second emissions reduction plan, you will need to decide whether to drive greater domestic action to help address this shortfall. This decision will have a bearing on the amount of offshore mitigation that will be needed to achieve NDC1.

Climate decision-making is subject to increasing legal scrutiny

56. Climate change is a highly contested area and legal challenges around the adequacy of climate responses are increasingly common – both in New Zealand and internationally. This trend is expected to continue.
57. As a result, there is likely to be close scrutiny of your decisions, including on the emissions reduction plans which sets out the actions that will be taken to meet the emission budgets, and keep New Zealand on track to meeting the 2050 target. The Government's decisions will need to be carefully documented, reasoned, and supported by evidence. Crown Law has provided the Board with advice on climate decision-making (**Appendix 2**).

Supporting people to act in response to climate change

58. New Zealand's transition to a low emissions economy ultimately depends on the actions individuals are prepared to take. The next plan will need to design, communicate, and implement policy in a way that builds support for making change.

[6] New Zealand will need to communicate our second nationally determined contribution in 2025. Like New Zealand's third emissions budget, this will cover the period from 2031-2035.

59. Survey evidence shows growing interest from individuals, businesses, and community groups in better understanding how and where to take climate action. At the same time, many people are not prepared to act if those actions will materially affect their lifestyles.
60. Surveys also show there is low public awareness of the government's plans to address climate change, and the actions people can take. The second emissions reduction plan can address this challenge by providing clarity around the government's approach and how businesses and individuals are, or can be, contributing.

Next Steps

61. Bilateral meetings with Ministers Willis, Bishop and McClay are being arranged, as is the initial meeting of a climate Ministers group for February. This briefing can support relevant Ministers in those engagements.
62. You are meeting with officials on 23 January at which point any further direction can be given ahead of your engagements with other Ministers, or further information provided on the legislative framework and development of the second emissions reduction plan.

Appendix 1: How New Zealand's climate change targets compare to our top ten trading partners

The following table **(Table 3)** compares New Zealand's domestic climate change target with our key trading partners. It shows that New Zealand has set more ambitious goals than many of our trading partners and similar goals to the United States and the European Union.

Table 3: New Zealand's domestic and international climate targets against our top trading partners

	Exports NZ	Nationally Determined Contributions (NDCs)	Domestic targets (net zero)	Domestic targets (biogenic methane)
New Zealand		50% below 2005 levels by 2030	Net zero by 2050	10% reduction by 2030 and a 24-47% reduction by 2050 (compared to 2017 levels)
China	19.8 b	'Peak' carbon emissions by 2030	Carbon neutral by 2060	Expected to release its strategy to cut methane emissions soon – may not include specific targets
Australia	14.1 b	43% below 2005 levels by 2030	Net zero by 2050	Not stated as a separate target
United States	9.8 b	50 to 52 percent below 2005 levels by 2030	Net zero by 2050	Not stated as a separate target
European Union	9.1 b	55% below 1990 levels by 2030	Net zero by 2050	Not stated as a separate target
Japan	4.5 b	46% below 2013 levels by 2030	Net zero by 2050	Not stated as a separate target
South Korea	2.2 b	40% below 2018 levels by 2030	Net zero by 2050	Not stated as a separate target
Singapore	1.7 b	36% below 2005 levels by 2030	Net zero as soon as viable in the second half of the century	Not stated as a separate target
Indonesia	1.2 b	41% below business-as-usual levels by 2030	Net zero by 2070	Not stated as a separate target
Taiwan	1.5 b	20% below 2005 levels by 2030	Net zero by 2050	Net zero in agriculture by 2040
Thailand	1.2 b	20.8% below business-as-usual levels by 2030	Net zero by 2065	Not stated as a separate target

Source: Stats NZ 2020, and MFAT, 2023

* Percentage reductions from different countries are not directly comparable as they represent different base years and emissions type (e.g., gross-net or net-net).

** Caution should be applied when directly comparing NDCs, as rates of reduction are not a good representation of effort. Percentage reductions can mask national circumstances, information on historical emissions and do not necessarily account for mitigation costs, or previous action.

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