

Climate Priorities Ministerial Group Meeting			
Date	Monday 20 May 2024	Time	7:30pm to 8:00pm
Venue	Ministerial Meeting Room, Level 2, Executive Wing, Parliament Buildings		
Attendees	<p>Rt Hon Christopher Luxon – Prime Minister</p> <p><u>Core members</u></p> <p>Hon Simon Watts – Minister of Climate Change Hon Chris Bishop* – Minister of Infrastructure, Minister Responsible for RMA Reform, Minister of Housing Hon Simeon Brown* – Minister for Energy, Minister of Transport, Minister of Local Government Hon Todd McClay* – Minister of Agriculture, Minister of Forestry, Minister for Trade Rt Hon Winston Peters – Minister of Foreign Affairs</p> <p><u>High-interest members</u></p> <p>Hon Mark Mitchell, Minister for Emergency Management and Recovery Hon Tama Potaka*, Minister of Conservation, and Māori Crown Relations: Te Arawhiti Hon Penny Simmonds, Minister for the Environment Hon Shane Jones, Minister for Regional Development and Resources Hon Mark Patterson, Minister for Rural Communities Simon Court MP, Parliamentary Under-Secretary to Minister for Infrastructure, Minister Responsible for RMA Reform.</p> <p><i>*Attendees to be confirmed or tentative</i></p>		
Apologies	Hon Nicola Willis – Minister of Finance; Associate Minister of Climate Change		

Meeting open – Welcome		
#	Time	Agenda Item
1	15 mins	<p>Agree Climate Strategy Lead speaker: Hon Simon Watts</p>
	7:30-7:45pm	<p>This item is an opportunity for Ministers to discuss the climate strategy prior to wider ministerial consultation and ECO Committee consideration. The draft climate strategy sets out the ‘why’ to guide delivery of the Government’s climate work programme. The second emissions reduction plan will then build upon the pillars of the strategy.</p> <p><i>Recommendations for this item:</i></p> <p>1.1 Note the attached Cabinet paper, <i>Establishing our approach to responding to climate change</i>, which lays out an overarching strategy to guide the Government’s climate change work programme and relevant decisions over this parliamentary term. 1.2 Note the Cabinet paper is scheduled to be considered by Cabinet later in May. 1.3 Discuss material and agree priorities in the strategy ahead of ECO Committee consideration.</p> <p><i>Supporting document:</i></p> <ul style="list-style-type: none"> <i>Paper 1.1 Cabinet paper - Establishing our approach to responding to climate change (includes one-page strategy)</i>

2	10 mins	<p>Developing second emissions reduction plan Lead speaker: Hon Simon Watts</p>
	7:45-7:55pm	<p>This item is an opportunity for Ministers to discuss and consider the suite of climate change policies proposed to be included in the second emissions reduction plan (the plan) discussion document. The plan is required under the Climate Change Response Act (CCRA), and is the main mechanism for achieving Government Target 9. The plan discussion document will set out how this Government will collectively approach reducing emissions consistent with climate strategy, and deliver the settings needed to get New Zealand on track to meet the second emissions budget (the period 2026-30). The Minister of Climate Change will bring a paper to Cabinet in June requesting approval to consult on policies for the plan.</p> <p><i>Recommendations:</i></p> <p>2.1 Note the Climate Change Response Act requires that the second emissions reduction plan be published by the end of 2024, at least 12 months prior to the start of the second emissions budget period of 2026-2030 (EB2).</p> <p>2.2 Note that the plan will be consistent with the key pillars within the Climate Strategy.</p> <p>2.3 Note that Cabinet approval will be sought in June to release a discussion document for public consultation on the plan.</p> <p>2.4 Note that the policies set out in the appendix to Paper 2.1 form the basis of public consultation on the plan and will be included in the Cabinet paper seeking approval to consult.</p> <p>2.5 Note it is a statutory requirement that the plan must set out the policies and strategies to meet EB2 and that the plan may also include policies and strategies for meeting later emissions budgets.</p> <p>2.6 Direct officials to ensure that the mitigation impact of sector policies contained within the final plan are supported by robust evidence (including via modelling, to the best extent possible).</p> <p><i>Supporting documents:</i></p> <ul style="list-style-type: none"> • <i>Paper 2.1 Developing the second emissions reduction plan</i>
3	5 mins	<p>Any other business Lead speaker: Hon Simon Watts</p>
	7:55-8:00pm	<p><i>Recommendations:</i></p> <p>3.1 Note the May 2024 Quarterly Progress Report to CPMG from the Climate Change Chief Executives Board included in the meeting papers.</p> <p>3.2 Note the report's recommendations relating to the delivery of the Government's climate priorities and the updated interim projections of progress against emissions budgets:</p> <ol style="list-style-type: none"> Note the progress on the Government's climate priorities this quarter, and anticipated decisions and milestones for the next quarter. Note new interim projections (which use an alternative model, incorporate latest official inventory updates, and updated policy assumptions) suggest the ability to meet emissions budgets has become more challenging compared to December 2023 projections. Note interim projections (which do not yet factor in ERP2 policies) indicate we are still on track to meet the first emissions budget (EB1) but the headroom has decreased from 13 Mt CO₂-e to 2 Mt CO₂-e (uncertainty band of 4 Mt), with the central estimates for EB2 being 6 Mt CO₂-e over the budget limit and 25 Mt CO₂-e over the budget limit for EB3 - but EB2 and EB3 are within the uncertainty bands of modelling. Note that officials will continue to update Ministers as these projections include considerable uncertainty, with numbers adjusting as policy impacts are refined. Note officials are providing separate advice to Ministers on the sufficiency and legal risks relating to the development of ERP2, and options to manage these risks.

		<p>f) s 9(2)(f)(iv)</p> <p>g) Note officials are available to meet with Ministers to discuss the interim projections in more detail.</p> <p>3.3 Note the next CPMG meeting will be scheduled in September 2024.</p> <p><i>Supporting documents:</i></p> <ul style="list-style-type: none"> • Paper 3.1 Quarterly Progress Report to CPMG, May 2024
<p>Meeting close</p>		

<p style="text-align: center;">Indicative forward agenda items</p>		
<p>Date</p>	<p>CPMG focus area</p>	<p>Discussion topic</p>
<p>Q3 Sept 2024</p>	<p>Reporting</p>	<ul style="list-style-type: none"> • Standing item: Quarterly IEB update on delivery of climate priorities and progress against goals and targets, risks or issues
	<p>Adaptation</p>	<ul style="list-style-type: none"> • s 9(2)(f)(iv) • Direction on strategic positioning of response to Climate Change Commission’s report on implementation and effectiveness of the NAP
	<p>Domestic mitigation</p>	<ul style="list-style-type: none"> • s 9(2)(f)(iv) • Discussion and approval of draft response to Climate Change Commission’s monitoring report on emissions reductions and the adequacy and implementation of the first ERP (due 17 Oct)
	<p>International mitigation</p>	<ul style="list-style-type: none"> • s 9(2)(f)(iv) • •
<p>Q4 Dec 2024</p>	<p>Reporting</p>	<ul style="list-style-type: none"> • Standing item: Quarterly IEB update on delivery of climate priorities and progress against goals and targets, risks and issues
	<p>Adaptation</p>	<ul style="list-style-type: none"> • s 9(2)(f)(iv) • Review of draft response to Climate Change Commission report on implementation of the NAP (due by February 2025)
	<p>Domestic mitigation</p>	<ul style="list-style-type: none"> • Independent Review of Methane Science and Targets: report
	<p>International mitigation</p>	<ul style="list-style-type: none"> • s 9(2)(f)(iv)

In Confidence

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

Establishing our approach to responding to climate change**Proposal**

- 1 This paper seeks Cabinet approval for the Government's climate change strategy. The strategy will form the basis for decisions this Parliamentary term including upcoming decisions on ETS settings and the Emissions Reduction Plan. An agreed strategy will help align advice from officials with the Government's approach.

Relation to government priorities

- 2 The proposed strategy supports the Government's climate change commitments in the 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. This paper primarily focuses on climate change mitigation. Cabinet recently considered and approved actions on adaptation.

New Zealand is not on track to meet our climate targets

- 3 The Government is committed to the successful delivery of our climate change targets including.
 - 3.1 The Nationally Determined Contribution under the Paris Climate Agreement in 2030 ("the 2030 NDC")
 - 3.2 Net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050, and
 - 3.3 Biogenic methane targets in 2030 and 2050.¹
- 4 This Government has inherited no plan to meet those targets. Despite large amounts of expenditure, the previous Government has left us with a significant gap in emissions reductions to meet.
- 5 At the Glasgow climate conference in 2021 the Government extended New Zealand's international commitment under the Paris Agreement despite official advice warning the extra reduction in emissions could not be achieved domestically and would have to come from offshore mitigation. In the years

¹ New Zealand has 'split gas' emission targets, which consider biogenic methane separately from all other greenhouse gases. This reflects the different impact that methane has compared with other greenhouse gases.

after Glasgow, the previous Government did not take the necessary steps to achieve this goal.

- 6 The actions of the previous Government have put New Zealand's reputation at risk. Officials estimate New Zealand is between 60Mt and 97Mt off track for the 2030 NDC commitment. Despite net emissions declining since 2020, the decline needs to be at a greater rate to deliver the net zero target by 2050.

Proposed strategy

- 7 To address the lack of a credible and viable plan, I have developed an overarching framework to support delivery of the commitments in our Coalition Agreements, domestic legislation, and international obligations. I have attached my full strategy as **appendix 1**.

- 8 The framework outlines, New Zealand will play its part to reduce the impact of climate change and prepare for a world experiencing the impacts of climate change. This will be delivered in five priority areas, as outlined below.

- 8.1 Clean energy is abundant and affordable
- 8.2 Credible markets to support the climate transition
- 8.3 World-leading climate innovation is boosting the economy
- 8.4 Nature-based solutions address climate change
- 8.5 Resilient infrastructure and well-prepared communities

- 9 I propose to reduce net emissions at least cost using effective and efficient policies. Without such policies, New Zealand cannot deliver on our targets.

- 10 We will not accept shutting down productive sectors of the economy to deliver emissions targets.

- 11 I propose a technology-led approach to allow production to increase as emissions come down. By definition, a least cost approach will minimise the economic impact of climate change targets which will, in turn, protect social license for action.

- 12 I propose to target net emissions of greenhouse gases as required by domestic legislation and as New Zealand has agreed to in our international commitments. New Zealand has made no commitment that requires any minimum reduction in gross emissions as part of our targets based on net emissions.

- 13 The previous Government's focus on gross emissions increased the cost of mitigation policies for no discernible benefit to New Zealand. Targeting net emissions reduces the cost of mitigation through flexibility by allowing discovery of the least-cost combination of gross reductions and removals (i.e. carbon capture).

- 14 The Emissions Trading Scheme is the main tool for reducing net emissions. The ETS puts a price on carbon for most of the economy except for agriculture. A carbon price encourages investments to reduce gross emissions and increase carbon capture and storage. Applying a single carbon price to both reductions and removals allows net emission to be lowered at least cost.
- 15 My goal is to restore the stability and credibility of the ETS to improve its effectiveness. The ETS experienced a significant period of volatility under the previous Government, in large part because of uncertainty about policy settings.
- 16 To restore confidence in the ETS, I propose to permanently rule out differential treatment of forestry and other offsets within the ETS or to introduce any form of vintaging (setting use by dates on ETS credits). These changes were proposed by the previous Government which led to an immediate and substantial fall in the ETS price, reflecting a loss of credibility. I will propose more modest changes to streamline and improve the ETS.
- 17 Complementary policies that operate outside of the ETS have an important role in removing barriers to investment in reductions and removals. Examples of complementary policies include investing in Research and Development and removing barriers to investment (e.g. in renewable energy). Complementary policies play their most important role in agriculture, where emissions pricing is not currently in place.

Forestry

- 18 Because exotic trees are a relatively cost-effective way reduce net emissions, a least cost approach that uses the ETS as its main tool is likely to encourage excessive afforestation. To protect agricultural production from the risk of excessive afforestation, the Minister of Forestry and I propose to introduce limits on new forests entering the ETS if they are planted on high quality farmland.
- 19 Our approach will target whole farm conversions and preserve flexibility for farmers to integrate forestry within their farms to support farm income and generate removals. Forests already in the ETS will not be affected by this change.
- 20 I also intend to reduce the reliance on trees for removals by introducing other forms of carbon capture and storage into the ETS on a robust and additional basis. I will return to Cabinet later this year on these matters.
- 21 Forestry limits illustrate a more general point that a least cost mitigation strategy can be safely pursued by introducing constraints to manage unwanted consequences of that strategy.

Agriculture

- 22 Agriculture will remain outside the ETS. Pricing of agricultural emissions will be introduced no later than 2030, with farm level measurement coming into

force before that. Since agriculture is exposed to trade, pricing of agricultural emissions will be aligned with other countries to avoid leakage. New Zealand farmers are among the world's most carbon efficient, so pricing agricultural emissions at a level that sends production offshore could raise global emissions.

Role of government

23 It is the role of the elected Government to choose how to deliver climate change targets. The role of agencies including the independent Climate Change Commission is to advise the Government. The Government has no obligation to agree with all advice from officials.

24 Some of the advice I have received is not aligned with the Government's priorities for least cost, effective and efficient policies, and rebuilding the credibility of the ETS.

25 The law requires the Minister of Climate Change to consider certain advice from the Climate Change Commission. As Minister, I intend to fully meet this and all statutory requirements. I also intend to stop spending on policies that are inconsistent with the government's approach. Consistency with the government's strategy will be an important consideration when I make decisions.

Cost-of-living Implications

26 There are no immediate cost of living implications from this paper.

Financial Implications

27 There are no immediate financial implications of this paper.

Legislative Implications

28 No new legislation is proposed and no changes to existing legislation.

Impact Analysis

Regulatory Impact Statement

29 A regulatory impact statement is not required for this paper.

Climate Implications of Policy Assessment

30 There are no immediate policy proposals that warrant a Climate Implications of Policy Assessment (CIPA).

Population Implications

31 There are no immediate population implications of this paper.

Human Rights

32 There are no immediate human rights implications of this paper.

Use of External Resources

33 No external resources have been engaged in core policy development processes for this work programme.

Consultation

34 The following agencies were consulted in the development of this Cabinet paper:

35 The Department of the Prime Minister and Cabinet has been informed.

Communications

36 Once Cabinet agrees on the Government's strategy, I plan to further test and refine the document to ensure the language resonates with New Zealanders.

37 I will then publicly release the strategy and in time, build supporting public engagement and communications to:

37.1 give confidence to, and empower, the private sector and households to make lower emission investment decisions

37.2 build social licence for New Zealand's climate change response.

38 I will also direct officials to develop a narrative with key messages on our priorities to be used across agencies to ensure a joined-up approach.

39 The first opportunity to do share the strategy with the public is in the Government's second Emissions Reduction Plan (ERP2), which needs to be published this year. I plan to include elements of this vision in upcoming consultation material for ERP2.

40 The government also has a variety of other statutory obligations which will allow us to demonstrate our strategy, including the yearly updates to ETS settings and auction volumes which is currently out for public consultation, in advance of Cabinet decisions in August.

Proactive Release

41 I propose to proactively release this paper once consultation on ERP2 has begun.

Recommendations

The Minister for Climate Change recommends that the Committee:


1 **note** climate change is a critical challenge we face, and that we have not inherited a plan to meet New Zealand's climate targets.

- 2 **note** my framework is for New Zealand to play its part to reduce the impact of climate change and prepare for a world experiencing the impacts of climate change.
- 3 **agree** that the government's approach to climate mitigation will operate under the principle of least cost and target net emissions.
- 4 **endorse** my framework for our climate change response which summarises my vision for the climate change response, the priority focus areas, and the key actions we need to take this parliamentary term
- 5 **note** the need to publicly outline our climate change response to build social licence and give confidence to the private sector and households to make investment decisions
- 6 **note** the need to refine the language in a public-facing strategy
- 7 **note** I plan to seek Cabinet's agreement in June to begin consultation on the second Emissions Reduction Plan, which will include elements of this climate change response

Authorised for lodgement

Hon Simon Watts







Minister of Climate Change

 **OUR CLIMATE STRATEGY**
We will play our part to reduce the impact of climate change and prepare for its future effects


MINISTER FACING (14/5)




WE ARE FOCUSING ON FIVE PRIORITY AREAS:

 Clean energy is abundant and affordable	 Credible markets to support the climate transition	 World-leading climate innovation boosts the economy	 Nature-based solutions address climate change	 Resilient infrastructure and well-prepared communities
 POLICIES WHICH HELP US MEET THESE PRIORITIES:				
<p>Electrify NZ: Double renewable energy – solar, wind, hydro and geothermal – by 2050</p> <p>Deliver 10,000 public electric vehicle chargers across New Zealand by 2030</p> <p>RMA Reform: Enable cheaper, faster large-scale renewable energy projects through fast-track consenting and Resource Management reforms</p> <p>Maintain energy security so businesses can confidently grow their operation</p>	<p>Price carbon effectively, with the Emissions Trading Scheme (ETS) regulatory settings reviewed every year.</p> <p>Agriculture industry pays a fair and sustainable emissions price by 2030</p> <p>Limits are placed on the amount of productive farms being turned into forests</p>	<p>Harness technology to reduce agriculture emissions and lift productivity</p> <p>Provide tools and remove barriers for businesses to innovate and prepare for the future</p> <p>Mobilise investment through partnerships both domestically and internationally</p> <p>End the effective ban on genetic engineering and modification technologies</p>	<p>Investigate other ways to remove emissions from the atmosphere, including wetlands and blue carbon</p> <p>Recognise other ways of removing emissions from the farm, beyond forestry</p> <p>Native forests are replanted on Crown land</p> <p>Predator Free 2050</p> <p>Protect the Hauraki Gulf</p>	<p>Deliver a fair and enduring Climate Adaptation Framework that provides clarity on costs.</p> <p>Improve quality and access to climate information, tools and guidance on future risks</p> <p>RMA Reform: Enable resilient infrastructure projects through fast-track consenting and Resource Management reforms</p>

 **ENABLER 1**
Private investment and partnerships

 **ENABLER 2**
Access to the best available data and evidence

 **ENABLER 3**
International engagement and knowledge sharing



GOVERNMENT MEASURES:

By 2030

- Reduce net greenhouse gas emissions by 2030 (Target 9)
- New Zealand’s Nationally Determined Contribution under the Paris Agreement by 2030
- 10 per cent reduction below 2017 biogenic methane emissions by 2030.

By 2050

- Net zero for long-lived gases by 2050
- 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050

OUR RESPONSE TO A CHANGING CLIMATE










OUR CLIMATE STRATEGY

We will play our part to reduce the impact of climate change and prepare for its future effects

**PUBLIC FACING
(14/5)**



WE ARE FOCUSING ON FIVE PRIORITY AREAS:

 <p>Clean energy is abundant and affordable</p>	 <p>Credible markets to support the climate transition</p>	 <p>World-leading climate innovation boosts the economy</p>	 <p>Nature-based solutions address climate change</p>	 <p>Resilient infrastructure and well-prepared communities</p>
 <p>HOW WE PLAN TO ACHIEVE THESE:</p>				
<p>Doubling renewable energy by 2050 and installing 10,000 public recharging stations for electric vehicles</p>	<p>Pricing emissions to incentivise emission reductions</p>	<p>Providing tools and removing barriers for businesses to innovate and prepare for the future</p>	<p>Restoring biodiversity, while investigating new ways of harnessing nature to remove emissions</p>	<p>Delivering a fair and enduring system that helps New Zealand be ready for climate change and provides clarity on costs.</p>
 <p>WHAT THIS MEANS FOR NEW ZEALANDERS</p>				
<p>Households heat their homes more affordably, with energy coming from the sun, wind, water and geothermal</p> <p>People charge their electric vehicles easily across the country</p> <p>Businesses have confidence in our energy security to grow their operations</p>	<p>Credible Emissions Trading Scheme (ETS)</p> <p>Businesses switch to clean energy to reduce the cost of emissions on production</p> <p>New Zealand's competitive edge and international reputation is strengthened because of our low-emissions economy</p>	<p>People enjoy a better standard of living, with more productive jobs and economic growth</p> <p>Businesses develop low-emissions goods to access key markets</p> <p>Agriculture industry uses technology to lower emissions while lifting productivity</p>	<p>Homes and communities are better protected against climate change through restored habitats and ecosystems</p> <p>Businesses have more options available to reduce the impact of their emissions</p> <p>More native forests can be found in our environment</p>	<p>Properties and infrastructure are better protected from severe weather events and the cost of repair is minimised</p> <p>People have easy access to information and guidance on potential future risks to property and community</p> <p>Interruption to business operations are minimised during and after severe weather events</p>



ENABLER 1

Private investment and partnerships



ENABLER 2

Access to the best available data and evidence



ENABLER 3

International engagement and knowledge sharing



GOVERNMENT MEASURES:

By 2030

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By 2050

- Net zero for long-lived gases by 2050
- 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050

Developing the second emissions reduction plan

Purpose of this paper and key messages

1. This paper introduces the next second emissions reduction plan (the plan), which must be produced this year. In June, the Minister of Climate Change will seek approval from Cabinet to consult on this plan.
2. The plan will be consistent with the Climate Strategy – this Government’s approach to achieving the climate targets. It will be the implementation plan for achieving Government Target 9.
3. The plan is an all-of-government plan. The Minister of Climate Change has worked with responsible Ministers and their agencies to develop the material to be contained in a public consultation.
4. An appended slide outlines the main policies proposed for the public consultation (page 2).

Next steps

5. Cabinet needs to endorse the approach to public consultation.

Recommendations for CPMG

- 2.1 Note** the Climate Change Response Act requires that the second emissions reduction plan be published by the end of 2024, at least 12 months prior to the start of the second emissions budget period of 2026-2030 (EB2).
- 2.2 Note** that the plan will be consistent with the key pillars within the Climate Strategy.
- 2.3 Note** that Cabinet approval will be sought in June to release a discussion document for public consultation on the plan.
- 2.4 Note** that the policies set out on page 2 of this paper form the basis of public consultation on the plan and will be included in the Cabinet paper seeking approval to consult.

Main policies to be included in second emissions reduction plan

The following table sets out the main policies to be included in a public discussion document for Cabinet approval in June

Introductory Sections	Government’s approach to achieving our targets and how New Zealand is tracking
Energy	<ul style="list-style-type: none"> • Enable electrification through delivery of Electrify NZ commitments (including fast-track consenting, RMA reform) • Enable other low-emissions fuels (including carbon capture technology, renewable gas, and hydrogen)
Transport	<ul style="list-style-type: none"> • Network of 10,000 public EV chargers by 2030 (facilitate private sector investment) • Regulatory changes in light vehicle and freight sector • Support public transport in main cities • Support the supply and uptake of sustainable aviation fuels, support low- or zero-carbon shipping on key trade routes
Strengthening emissions pricing	<ul style="list-style-type: none"> • Strong ETS market confidence through regulatory predictability (including ending the ETS review) • Strong market governance
Scaling up private investment	<ul style="list-style-type: none"> • Improve investor confidence through data and evidence, understand sector specific barriers
Agriculture	<ul style="list-style-type: none"> • Enable regulatory pathways for agricultural mitigation tools • Fair and sustainable pricing for on-farm agricultural emissions by 2030 (without sending production offshore) • Review of methane science and targets (<i>in progress, not being consulted on</i>)
Forestry	<ul style="list-style-type: none"> • Encourage afforestation through appropriate incentives (includes limiting on farm conversions on highly productive farmland and partnering with the private sector to plant trees on Crown land)
Non-forestry removals	<ul style="list-style-type: none"> • Progress science and policy work to recognise additional non-forest removal activities • s 9(2)(f)(iv)
Waste	<ul style="list-style-type: none"> • Focus investment on reducing waste and emissions • Work with industry to improve organic waste disposal and landfill gas capture
Other statutory requirements	<p>Distributional impacts on a range of people and groups</p> <ul style="list-style-type: none"> • Climate dividend as part of tax relief • Existing social supports and initiatives

Summary of the Quarterly Progress Report May 2024

Purpose and context

This is a summary of the quarterly progress report (the Report), which is prepared by the Climate Change Chief Executives Board (the Board) for the Climate Priorities Ministerial Group (CPMG).

The Report summarises upcoming milestones across the Government's climate priorities, how we are tracking towards New Zealand's climate mitigation targets, informed by interim emissions projections, and progress made over March - May 2024.

The full quarterly progress report will be sent to CPMG members separately. It is intended to support decisions by Ministers, the Board, and agencies, on any responses required to ensure New Zealand is able to meet its climate goals and targets.

Recommendations for period ending May 2024

- a) **Note** the progress on the Government's climate priorities this quarter, and anticipated decisions and milestones for the next quarter.
- b) **Note** new interim projections (which use an alternative model, incorporate latest official inventory updates, and updated policy assumptions) suggest the ability to meet emissions budgets has become more challenging compared to December 2023 projections.
- c) **Note** interim projections (which do not yet factor in ERP2 policies) indicate we are still on track to meet the first emissions budget (EB1) but the headroom has decreased from 13 Mt CO₂-e to 2 Mt CO₂-e (uncertainty band of 4Mt), with the central estimates for EB2 being 6 Mt CO₂-e over the budget limit and 25 Mt CO₂-e over the budget limit for EB3 - but within the uncertainty bands of modelling.
- d) **Note** officials will continue to update Ministers as these projections include considerable uncertainty, with numbers adjusting as policy impacts are refined.
- e) **Note** separate advice on the sufficiency and legal risks relating to the development of ERP2, and options to manage these risks, is being provided to Ministers.
- f) s 9(2)(f)(iv) [Redacted]
- g) **Note** officials are available to meet separately with Ministers to discuss the interim projections in more detail.

Section 1: Upcoming decisions and milestones across climate priority sectors/themes

Sector/Theme and climate priorities	June to September	October to December
Energy <i>Energy Action Plan/ Electrify NZ</i>	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv) ▪ Select Committee report back on Fast-track Approvals Bill 	<ul style="list-style-type: none"> ▪ Introduction of Offshore Renewable Energy Legislation by December ▪ Consultation on improving efficiency of network connections by Electricity Authority, October.
Transport <i>Deliver 10,000 EV public EV chargers by 2030</i>	<ul style="list-style-type: none"> ▪ Advice to Ministers of Transport and Energy on options for government co-investment in EV-chargers ▪ s 9(2)(f)(iv) 	<ul style="list-style-type: none"> ▪ Cabinet report-back October, on: <ul style="list-style-type: none"> ○ Supercharging EV Infrastructure ○ Cost-Benefit analysis framework ○ Future co-investment model for EV charging infrastructure ▪ Implement Cabinet decisions on co-investment model
Agriculture <i>Tech-led reduction of emissions</i> <i>Fair & sustainable pricing of on-farm emissions by 2030</i>	<ul style="list-style-type: none"> ▪ Continued engagement with sector on farm level emissions methodology ▪ Continue work to invest in R&D to get mitigation tools faster to farmers ▪ Announce disestablishment of He Waka Eke Noa ▪ Commence review on methane science and targets ▪ Draft legislation to remove agriculture from the ETS 	<ul style="list-style-type: none"> ▪ Continued engagement on farm level emissions methodology ▪ Conclude report on independent review of methane science and targets – begin policy analysis ▪ Introducing legislation to remove agriculture from the ETS, July-December
Forestry <i>Restoring price stability and confidence in the ETS</i>	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv) ▪ Trees on Crown Land – Advice is with Minister of Forestry 	
Climate Data System <i>High quality data</i>	<ul style="list-style-type: none"> ▪ Delivery of information required to report on Government Target 9 ▪ MfE delivering data tool which provides open access to NIWA's climate projections, for adaptation and RM decision making, July 	<ul style="list-style-type: none"> ▪ MfE releasing emissions reporting dashboard to the public
Adaptation <i>Adaptation Framework</i>	<ul style="list-style-type: none"> ▪ Summary of Submissions to Environment Committee & transfer to new Finance and Expenditure Committee, May 	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv)

Section 2: Progress towards meeting New Zealand's climate mitigation targets

Officials have used an updated (alternative) projections model to provide an interim starting point estimate (ahead of consultation on the second Emissions Reduction Plan (ERP2)) of how emissions are tracking to budgets.

s 9(2)(f)(iv)

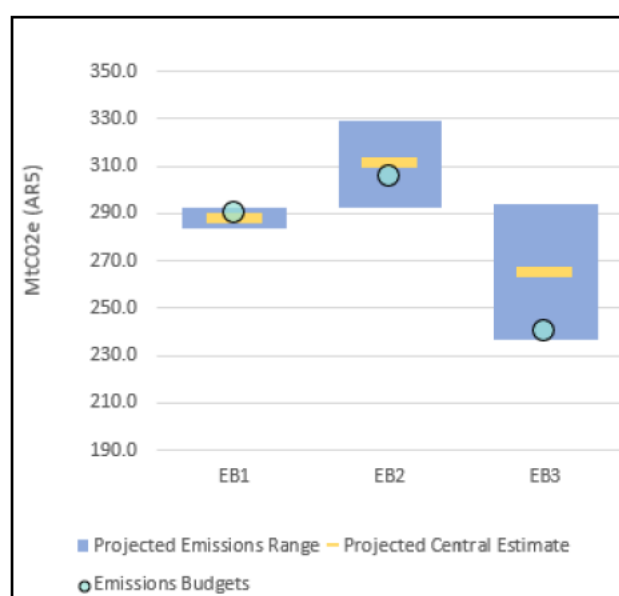
Key Takeaways:

While noting the limitations and uncertainties of the alternative model (outlined next page and in the more fulsome report), these interim projections suggest the ability to meet emissions budgets has become more challenging compared to the December modelling results:

- The headroom (from the central projection) for meeting EB1 has decreased, from a 'margin' of 13 Mt in the Board's March quarterly report to a 'margin' of only 2Mt using the central estimate from the interim projections.
- The last time we provided an update, the December emissions projections showed the central estimate for EB2 to be 29Mt lower than these latest interim projections, which has the central estimate for projected emissions 6Mt above the EB2 limit, and 25 Mt above EB3.
- However, EB2 and EB3 are still within the uncertainty bands of the modelling. The policy option sets being consulted on as part of developing ERP2 and the modelling of those policies (where possible) may improve the position.

The interim projections suggest emissions are higher than the December 2023 projections

Emissions Budget (EB) levels – net, all gases	Central estimate and uncertainty range	
	2023 official projections (based on July 2023 settings and assumptions)	2024 interim projections (based on April 2024 settings and assumptions)
EB1 (2022-25) = 290 Mt	277 Mt (± 7 Mt)	288 Mt (± 4 Mt)
EB2 (2026-30) = 305 Mt	281 Mt (± 15 Mt)	311 Mt (± 18 Mt)
EB3 (2031-35) = 240 Mt	233 Mt (± 30 Mt)	265 Mt (± 28 Mt)



The updated model does have limitations, which mean the estimates need to be treated with caution because:

- The impacts of proposed policies for ERP2 are not yet included. Such policies will (where possible) be included in future modelling ahead of ERP2 being finalised.
- These interim projections do not account for ETS supply and demand dynamics and/or the stockpile, and therefore do not account for both upside and downside risks which could impact emissions outcomes. We are working to address this limitation to support decision-making on ETS settings and ERP2.

Appendix 1: Key milestones across Government climate priorities (past quarter)

Energy

- + Fast-track Approvals Bill introduced into Parliament (March 2024)
- + Cabinet considered next steps for work on EV chargers (April 2024), and Electrify NZ proposals (May 2024)

Transport

- + Cabinet considered the Supercharging EV Infrastructure work programme (April 2024)
- + Officials convened a Supercharging EV Infrastructure Taskforce (April 2024)
- + EECA launched next round of co-funding for EV chargers (April 2024)

Agriculture

- + Minister of Agriculture approved approach to developing on-farm emissions measurement by 2025
- + New shareholders joined AgriZero^{NZ} - increasing total funds for investment to \$180 million
- + Cross-ministerial group on Gene Tech established
- + Cabinet made final policy decisions to repeal agricultural obligations in the NZ ETS (April 2024)
- + Cabinet approval and announcement by Agricultural and Climate Change Ministers of independent review of methane science and target

Climate Data System

- + MfE released the 2024 Greenhouse Gas Inventory (April 2024)
- + Interim projections dataset created to establish the baseline for the second emissions reduction plan (April 2024)

Adaptation Framework

- + Cabinet approval of work to develop an adaptation framework, key objectives and workstreams (April 2024) and announcement of this work (May 2024)