



Climate Change
CHIEF EXECUTIVES BOARD

Quarterly Progress Report to the Climate Priorities Ministerial Group

15 May 2024




Purpose and context

This quarterly progress report (the Report) is prepared by the Climate Change Chief Executives Board (the Board). It summarises the progress made over March - May 2024 and upcoming milestones across the Government's climate priorities and outlines how we are tracking towards New Zealand's climate mitigation targets, informed by interim emissions projections.

The Report 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) 
- g) **Note** officials are available to meet with Ministers to discuss the interim projections in more detail.

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

See Appendix 1 for further detail

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 	<ul style="list-style-type: none"> s 9(2)(f)(iv)
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)

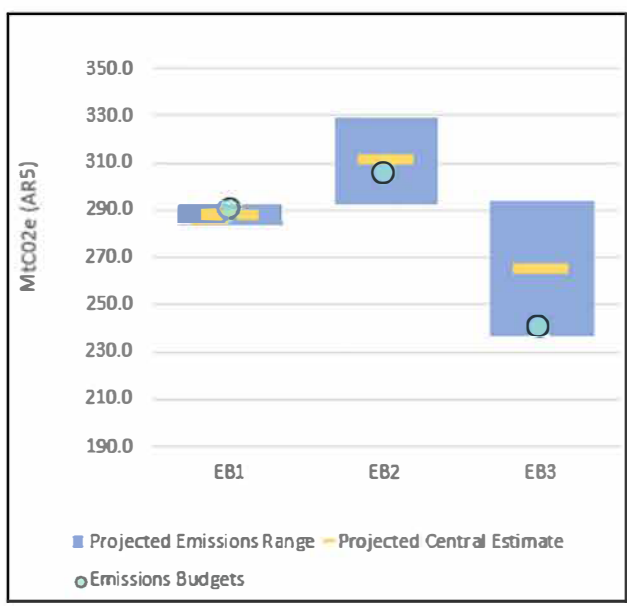
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The interim projections suggest emissions are higher than the December 2023 projections

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 (±7Mt)	288 Mt (±4Mt)
EB2 (2026-30) = 305 Mt	281 Mt (±15Mt)	311 Mt (±18Mt)
EB3 (2031-35) = 240 Mt	233 Mt (±30Mt)	265 Mt (±28 Mt)

Key Takeaways: While noting the limitations and uncertainties of the alternative model (outlined next page), 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.



Previous modelling projections were based on official projections from December 2023, using July 2023 policy settings

The updated modelling includes updated factors as indicated in the table below:

Factors	Examples
Methodological changes	Improvements to how we measure emissions in line with international reporting requirements, and as part of April 2024 GHG Inventory updates have meant that reported emissions from the agriculture sector (as a series) have increased as part of recent methodological adjustments. A combination of methodological changes and updated inventory data for these interim projections resulted in: 7.2Mt higher emissions for EB1, 4.5Mt higher for EB2 and 3.9Mt lower for EB3 (compared to the projections from December 2023). Over the long term these types of changes can even out, as they can both increase and decrease reported emissions.
Adjustments for external factors	NZ Aluminium Smelter was originally modelled as closing at the end of 2024, but as this is not certain, the model has now assumed it remains open, resulting in 4.7 Mt higher emissions being projected in EB2 .
Policy assumptions and other changes since July 2023	Policies such as removing the Clean Car Discount; GIDI; delaying agricultural pricing from 2025 to 2030; and updated ETS price assumptions (a continuously rising path beyond 2030 is no longer assumed, instead a rising, falling, then static price path is assumed based on current policy settings). This results in 4.2 Mt higher emissions being projected in EB2 .

The interim projection results are based on an alternative ENZ model - an economy-wide model that incorporates April 2024 greenhouse gas inventory updates

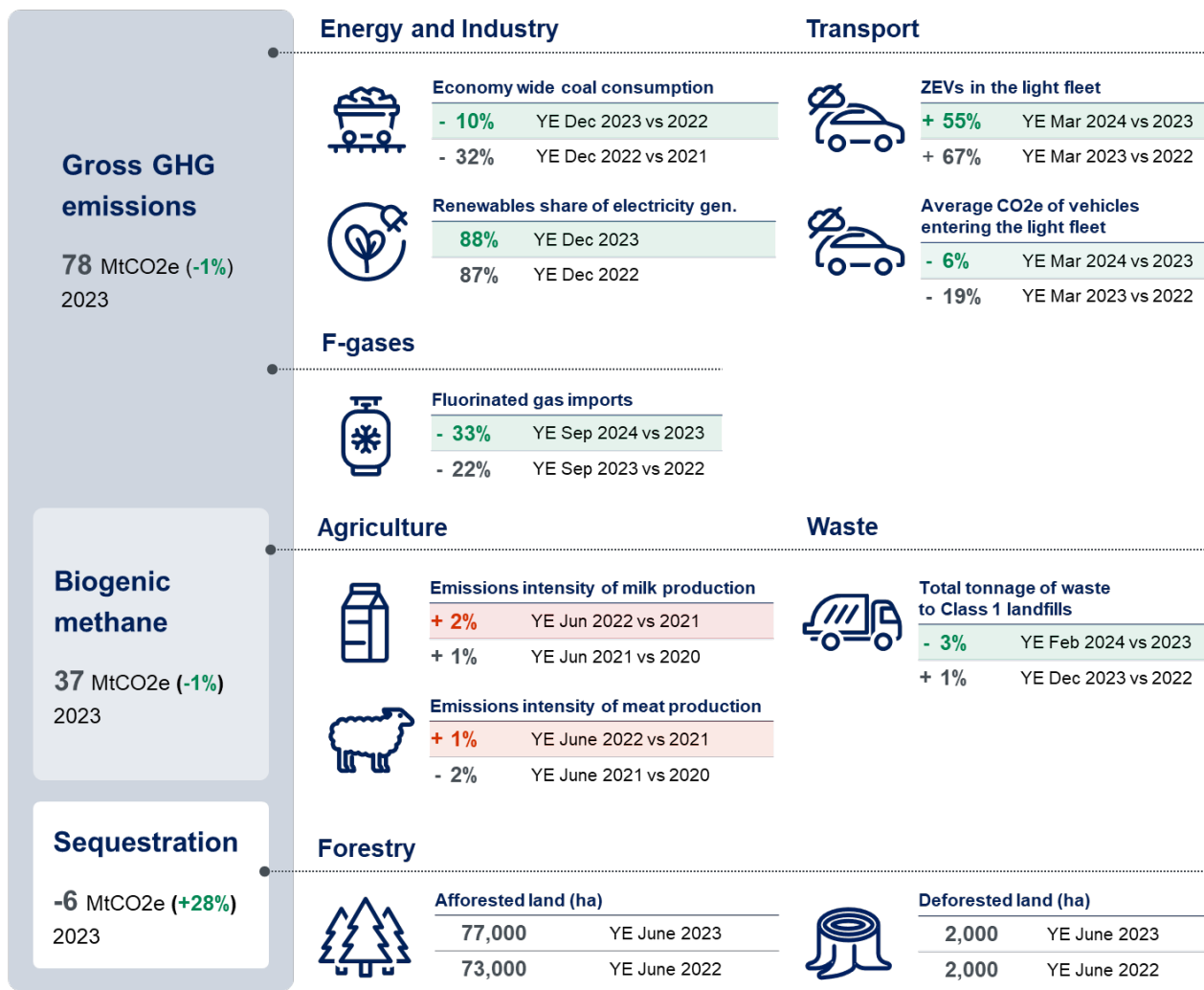
- The model is different to those used for official projections, completed annually. The annual projection models have more sectoral detail than ENZ but do not include the interactions between sectors that are modelled in ENZ.
- ENZ has enabled an interim projection to be developed so officials can start to develop and model emissions policies for ERP2 in coming months. s 9(2)(f)(iv)

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.

Sectoral indicators show continued progress in reducing emissions

For the year ending December 2023, emissions have reduced in total and forestry sequestration has increased.



* Forestry sequestration estimates (MtCO₂e) are based on interim projections. GHG emissions (MtCO₂e) are interim estimates based on best available data. YE = Year end

Appendix 1: Further detail on Government's key climate priorities, May 2024

Sector/ theme and Lead Minister	Government core climate priorities + description	Key decisions and milestones out to December 2024		Progress: Completed Milestones Opportunities, Risks, and Interdependencies
		30 June – 30 Sept	1 Oct – 31 Dec	
Energy Minister for Energy (with Minister for Resource Management Reform)	Energy Action Plan/Electrify NZ , including: <ul style="list-style-type: none"> Cutting red tape to enable investment in renewables so can double supply of affordable, clean energy by 2050 Removing consenting barriers to accelerate electricity generation, transmission, and distribution infrastructure Enabling use of offshore renewable energy resources Ensuring fit for purpose funding and cost recovery rules for network infrastructure and new network connections 	<ul style="list-style-type: none"> s 9(2)(f)(iv) [redacted] Select Committee report back on Fast Track Bill due 7 September 	<ul style="list-style-type: none"> Introduction of offshore renewable energy legislation by December 2024 Electricity Authority consultation on improving efficiency of network connections in October 2024 Commerce Commission final decision on revenue caps for Transpower and regulated EDBs –Nov 2024 Fast Track legislation passes into law in late 2024 	Completed Milestones <ul style="list-style-type: none"> Fast track approvals legislation introduced into Parliament 7 March 2024 Cabinet considered next steps for work on EV charging in April 2024 Cabinet considered next steps for Electrify NZ proposals in May 2024 Opportunities, Risks, and Interdependencies <ul style="list-style-type: none"> Electrify NZ is the overarching work programme – with sub-components being led by different agencies and aligned with other work programmes. E.g. with the wider RM reform. Interdependencies with Transport and ETS policies, which impact the rate of users switching to electricity (which impacts the pace at which increased electricity supply needs to be delivered). Interdependencies with workstreams being delivered by the Commerce Commission and the Electricity Authority.
Transport Minister of Transport	Deliver 10,000 public EV chargers by 2030	<ul style="list-style-type: none"> Developing advice for Ministers on options for government co-investment in EV chargers that embed public value assessment, and a cost-benefit analysis framework into investment decisions. s 9(2)(f)(iv) [redacted] 	<ul style="list-style-type: none"> Cabinet report back in October 2024 to: <ul style="list-style-type: none"> Update on the Supercharging EV Infrastructure work programme. Provide advice on the cost-benefit analysis framework. Seek decisions on the future co-investment model for EV charging infrastructure. Implementation of Cabinet decisions on the government co-investment model. 	Completed Milestones <ul style="list-style-type: none"> Cabinet considered the high-level Supercharging EV Infrastructure work programme in April 2024 and invited a Cabinet report back by October 2024 with an update on the work programme and to seek decisions on future design of the rollout. Officials have convened a Supercharging EV Infrastructure Taskforce to formalise cross-agency working relationships and coordinate future advice and external engagement on EV charging infrastructure. EECA have launched their next round of co-funding for EV chargers and are looking to trial arrangements for two further funding rounds in 2024. Opportunities, Risks, and Interdependencies <ul style="list-style-type: none"> Close interdependencies with the energy portfolio (including work by regulators relating to the costs, processes, and timeframes for new connections to the electricity network, and MBIE/MfE led changes to resource consents for chargers).
	Enable the development of sustainable aviation and marine biofuels	<ul style="list-style-type: none"> In July, an assessment of the impacts of potential measures on states, including New Zealand, will be completed. [redacted] s 9(2)(f)(iv) [redacted] The sustainable aviation fuels working group is meeting at a greater frequency, [redacted] s 9(2)(f)(iv) [redacted] 	<ul style="list-style-type: none"> The next formal IMO climate change negotiations will take place in October 2024. 	Completed Milestones <ul style="list-style-type: none"> Officials attended the IMO climate change negotiations (MEPC81) in March 2024.
Agriculture Minister of Agriculture	Give farmers the tools they need to reduce emissions (tech-led): <ul style="list-style-type: none"> Farm-level measurement by 2025 Continued sector-led investment in R&D to reduce on-farm greenhouse gases Introduce new legislation allow for greater use of gene technology Full recognition of on-farm sequestration on a robust, scientific basis 	Scoping regulation/investment options <ul style="list-style-type: none"> Continued engagement with the sector on development of the farm level emissions methodology (for implementation by 2025), including ongoing improvement of the methodology and work on adoption. Continue to work with the sector to invest in R&D. Continue to streamline regulatory pathways for approval and market acceptance of new mitigation tools. Gene tech: Policy development towards the cabinet paper Continued policy analysis of options for on-farm sequestration 	Scoping regulation/investment options <ul style="list-style-type: none"> Gene tech: Cab paper asking to introduce a Bill in December 2024. Continued policy analysis of options for on-farm sequestration 	Completed Milestones <ul style="list-style-type: none"> Minister approved the approach to developing on-farm emissions measurement by 2025. New shareholders joining AgriZeroNZ – increasing the total funds for investment to over \$180m. Gene tech: Cross ministerial group established. Met in March and met again on 8 May. Opportunities, Risks, and Interdependencies <ul style="list-style-type: none"> Gene Tech: interdependency with the Biosecurity Act. Opportunity is through streamlining approval processes.

Sector/ theme and Lead Minister	Government core climate priorities + description	Key decisions and milestones out to December 2024		Progress: Completed Milestones Opportunities, Risks, and Interdependencies
		30 June – 30 Sept	1 Oct – 31 Dec	
	<p>Fair and sustainable pricing of on-farm emissions by 2030</p> <ul style="list-style-type: none"> Finalise policy to keep agriculture out of the ETS Commence an independent review of the methane science and targets for consistency with no additional warming from agriculture methane emissions 	<p>Scoping regulation/investment options</p> <ul style="list-style-type: none"> Continuing policy work and engagement with the sector on agricultural emissions policy Announce disestablishment of He Waka Eke Noa (TBC – subject to ECO, 22 May). Commence the review of methane science and target, including inaugurating an expert panel. <p>Legislation timelines</p> <ul style="list-style-type: none"> Removing agriculture from the ETS: Drafting legislation (May/June), LEG committee and Cabinet approval legislation (May/June). Bill introduction and First reading (June). Select Committee: (July-October). 	<p>Scoping regulation/investment options</p> <ul style="list-style-type: none"> Continuing policy work and engagement with the sector on agricultural emissions policy Conclude and report on the independent review of methane science and targets. Begin subsequent policy analysis. <p>Legislation timelines</p> <ul style="list-style-type: none"> Removing agriculture from the ETS: Parliament: Second reading (November), Committee of the Whole (November), Third Reading (November), Royal Assent (November/December) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> On 2 April, final policy decisions to repeal agricultural obligations in the New Zealand Emissions Trading Scheme were made Following Cabinet approval to do so, on April 6 the Agriculture and Climate Change Ministers announced the methane science and target would be independently reviewed.
<p>Forestry Minister of Forestry</p>	<p>Restoring price stability and confidence in the Emissions Trading Scheme (ETS) to give certainty to forestry</p> <ul style="list-style-type: none"> Limiting on farm conversions to forestry on high-quality land from 2024 to protect highly productive farmland. Partnering with the private sector to plant trees including opportunities for native afforestation on Crown land (excluding National Parks) that is unsuitable for farming and has low conservation value. 	<ul style="list-style-type: none"> Progressing policy work, s 9(2)(f)(iv) 	<ul style="list-style-type: none"> s 9(2)(f)(iv) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> December 2023: Government announced it is stopping the ETS review, to help restore market stability and provide businesses certainty and confidence. <p>Opportunities, Risks, and Interdependencies</p> <ul style="list-style-type: none"> ETS Forestry has interdependencies with overall decisions on ETS settings being led by MfE.
<p>Climate Data System Minister of Climate Change</p>	<p>Delivering high quality data, informing decisions, and supporting research into real world policy options.</p>	<ul style="list-style-type: none"> Deliver an emissions reporting dashboard by 1 July 2024 which provides quarterly reporting on measuring mitigation progress to date with real world data. Delivery of the information required to report on Government Target #9. Deliver a data tool which provides open access to NIWA's downscaled climate projections by 1 July 2024 for adaptation and RM decision making. 	<ul style="list-style-type: none"> MfE will be releasing the emissions reporting dashboard to the public. 	<p>Completed Milestones</p> <ul style="list-style-type: none"> MfE released updated Measuring Emissions Guide in May, supporting business and organisations to measure and reduce emissions MfE released the 2024 Greenhouse Gas Inventory in April 2024 supporting emissions reporting. The interim projections dataset has been created for the ERP2 baseline and provides insight into the latest progress on emissions reduction. <p>Opportunities, Risks, and Interdependencies</p> <ul style="list-style-type: none"> The climate data system consists of climate data producers and users across central and local government, businesses, academia, research entities, and the public. There is an opportunity to improve the accessibility, timeliness, and quality of climate decision making and policy options. The initiative has high expectations from local government and businesses to resolve systemic issues around sharing and using climate data.
<p>Adaptation Minister of Climate Change</p>	<p>Adaptation Framework, including:</p> <ul style="list-style-type: none"> s 9(2)(f)(iv) Gathering and sharing information about climate related risks to support informed decision making. 	<ul style="list-style-type: none"> Public submissions and oral hearings will be heard with the new adaptation inquiry's focus (timing TBC). A final report is due in early September. The Independent Reference Group will consider the issues and options papers. s 9(2)(f)(iv) 	<ul style="list-style-type: none"> s 9(2)(f)(iv) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> Cabinet approval in April 2024 of developing an adaptation framework; agreement in principle to the high-level objectives and scope of the adaptation framework; and key workstreams of the adaptation framework The Finance and Expenditure Committee inquiry commenced on 9 May and the adaptation framework was publicly announced on 10 May. The Independent Reference Group had its first meeting on 14 May. <p>Opportunities, Risks, and Interdependencies</p> <ul style="list-style-type: none"> The Adaptation Framework work programme focuses on climate change levers but has interdependencies with other sectors including emergency management, infrastructure, housing, building and construction, resource management and local water done well. Officials are working closely across agencies on the relevant policies.