



Quarterly Progress Report to the Climate Priorities Ministerial Group, March 2024

Date submitted: 9 April 2024

Tracking number: BRF-4516

Security level: In Confidence

MfE priority: Low

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
To Hon Simon WATTS Minister of Climate Change	<ol style="list-style-type: none"> Agree to the recommendations in this briefing note Forward this briefing note and Appendix to Climate Priorities Ministerial Group (CPMG) Ministers for information 	[12 April 2024]

Actions for Minister’s office staff
If agreed, forward this briefing note to the Climate Priorities Ministerial Group. Return the signed briefing to the Climate IEB Unit (board@climateieb.govt.nz).

Appendices and attachments
Appendix 1: Quarterly Progress Report to the Climate Priorities Ministerial Group, March 2024

Key contacts			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Jeremy Webb		
Responsible Manager	Amy Tisdall	s 9(2)(a)	
Executive Director	Lisa Daniell	s 9(2)(a)	✓

Minister’s comments

Quarterly Progress Report to the Climate Priorities Ministerial Group, March 2024

Purpose

1. This briefing note attaches the Climate Change Chief Executives Board's (the Board's) March 2024 Quarterly Progress Report to the Climate Priorities Ministerial Group (CPMG) as Appendix 1, and outlines key risks and opportunities, and associated recommendations, for your consideration.

Key messages

2. The purpose of CPMG is to drive delivery and results across the Government's climate change work programme, to ensure New Zealand achieves its international and domestic climate goals and targets.
3. The Board supports CPMG to do this, including via quarterly progress reports on implementation of the Government's climate programme - and progress towards meeting New Zealand's climate goals and targets.
4. The first Quarterly Progress Report is attached as Appendix 1, and a summary of the report was included in the March CPMG meeting pack.
5. The Report is structured into three sections:
 - i. **Delivering on the Government's climate priorities:** outlining progress in delivering the Government's climate priorities as outlined in manifesto and coalition agreements.
 - ii. **Progress against goals:** updates on progress towards New Zealand's climate mitigation targets and adaptation goals.
 - iii. **Implementation progress of ERP1 and NAP1:** a programme level overview of implementation progress of the first emissions reduction plan (ERP1) and national adaptation plan (NAP1)
6. This report is intended to inform Ministerial decisions on any responses required to ensure New Zealand remains on track to meet its targets and goals, within the changing context of new priorities. Future progress reports will continue to orient further towards the delivery of the government's new priorities, to support CPMG's governance of these work programmes.
7. The Board makes eight recommendations in the Report for your consideration, based on the cross-cutting opportunities and risks identified over this reporting period. These are included in the recommendations below.
8. One of these recommendations (Recommendation 6 below) seeks endorsement of NAP1 objectives. We note that you have recently endorsed the NAP1 system-wide objectives through a Ministry for the Environment led briefing in preparation for a deep dive with officials on the National Adaptation Plan (BRF-4268 refers). We have retained the recommendation regarding the NAP1 objectives in the report, as many Government

priorities outside your portfolio have the potential to achieve multiple adaptation objectives set out in the NAP. Onforwarding this recommendation to your Ministerial colleagues can help to support an all of government approach to implementing NAP1 and provide a basis for further strategic discussion on adaption priorities.

Next steps

9. Subject to your agreement, your office will forward this briefing note and the March 2024 Quarterly Progress Report (Appendix 1) to CPMG Ministers for their information.

Recommendations

We recommend that you:

1. **Note** the opportunities and risks identified in the March 2024 Quarterly Progress Report, and associated recommendations, included below.

Yes | No

A: Ensure New Zealand meets its emissions budgets and demonstrates how it intends to achieve its first Nationally Determined Contribution (NDC1)

2. **Note** there is a need to ensure New Zealand meets its emissions budgets and demonstrates how it intends to meet its first Nationally Determined Contribution (NDC1 for the period to 2030), and that any risks are managed – including through ongoing focus on implementing the first emissions reduction plan (ERP1); development of the second emissions reductions plan (ERP2); and s 9(2)(f)(iv)

Yes | No

3. **Agree** that the Board keep CPMG appraised of risks to New Zealand achieving its climate targets, and that CPMG focus on the following to mitigate these risks:
 - a) Implementation of ERP1 (particularly actions which support the achievement of future emissions budgets);
 - b) The development of ERP2, which will provide the updated pathway to meet future emissions budgets; and
 - c) s 9(2)(f)(iv)

Yes | No

4. **Agree** that CPMG Ministers work with their line agencies on a plan for those actions in ERP1 that are red, amber, or on-hold. This may include agreeing to stop, change, or reprioritise some actions in line with streamlined priorities, whilst considering any implications for climate change targets and obligations.

Yes | No

B: Address the uncertainty and sufficiency of the adaptation response

5. **Note** there is considerable uncertainty associated with several NAP1 actions, which makes it difficult to assess the overall sufficiency of the adaptation response in addressing risks.

Yes | No

6. **Endorse** the NAP1 objectives set out in Appendix 1 of the March 2024 Quarterly Progress Report.

Yes | No

7. **Agree** that CPMG Ministers work with their line agencies, over the next quarter, on a plan for all critical actions in NAP1 that are red, amber, or on-hold. This may include agreeing to stop, change, or reprioritise some actions, to ensure they are both delivering the government priorities and meeting the relevant NAP objectives.

Yes | No

8. **Agree** that CPMG hold a strategic session on adaptation to determine the Government's key areas of focus for adaptation, in preparation for responding to the Climate Change Commission's report on the implementation of NAP1.

Yes | No

C: Manage impacts on climate objectives from broader policy priorities

9. **Note** the need to manage impacts on climate objectives from broader policy priorities.

Yes | No

10. **Agree** that CPMG seek assurance that a climate implications of policy assessment (CIPA) is completed to assess impacts on emissions from key Government priorities.

Yes | No

11. **Note** that if CPMG directs it, reporting on broader adaptation priorities (including on how adaptation impacts and opportunities are being sufficiently incorporated across the Government's work programmes) could be incorporated into the Board's future reporting to CPMG.

Yes | No

D: The role of Government in enabling more private sector-led intervention

12. **Note** internal resourcing adjustments and funding reprioritisation within agencies are some of the main delivery challenges for Government-led actions in ERP1 and NAP1. In light of this, consideration could be given to the role for government in enabling more private sector-led intervention.

Yes | No

13. **Note** the potential for addressing regulatory barriers for emerging green technology and the adoption of new climate solutions by the private sector, and for such opportunities to be considered through the development of ERP2.

Yes | No

14. **Forward** this briefing note and Appendix 1 to CPMG Ministers for their information.

Yes | No

Signatures

Lisa Daniell
Executive Director

Climate Change Chief Executives Board Unit



Hon Simon WATTS
Minister of Climate Change

Date

Appendix 1: March 2024 Quarterly progress report prepared by the Climate Change Chief Executives Board

- See attached (sent via email as a separate file) -



Climate Change
CHIEF EXECUTIVES BOARD

Sensitivity Classification

Climate Change Chief Executives Board

Quarterly Progress Report
to Climate Priorities Ministerial Group
March 2024

Sensitivity Classification

Context

- This quarterly report (the Report) is prepared by the Climate Change Chief Executives Board (the Board). The Board drives delivery and results across the Government’s climate change work programme, to ensure New Zealand achieves its climate goals and targets.
- New Zealand has international and domestic climate change obligations; most notably our first Nationally Determined Contribution (NDC1) under the Paris Agreement, and legislated targets within the Climate Change Response Act (CCRA). The CCRA requires the government to have and deliver, adaptation and emissions reduction plans to achieve New Zealand’s domestic climate goals and targets, such as emissions budgets (EBs). New Zealand’s first national adaptation plan (NAP1) still has four years of delivery. The emissions reduction plan (ERP1) is at its midway point; it still has two years of delivery, with ERP2 in its early stages of development and due to be published by the end of 2024.
- This reporting period (December 2023 – February 2024) coincided with a change in government. This has resulted in a different set of strategic priorities for achieving our climate change goals – centring around five pillars aligned to the government’s manifesto and coalition commitments: transport, energy, agriculture and forestry sectors, and the adaptation framework. Agencies have reassessed the existing adaptation and reduction plans against broader government priorities, with some actions discontinued or changed as a result (and others still subject to Ministerial direction).
- The Report is intended to inform Ministerial decisions on any responses required to ensure New Zealand remains on track to meet its targets and goals, within the changing context of new priorities. Eight recommendations are included for your consideration, which respond to the cross-cutting risks and opportunities identified in the Report.

Report structure

- Delivering on the Government’s climate priorities*: outlining progress in delivering the government’s climate priorities as outlined in manifesto and coalition agreements (section 1),
- Progress against goals*: updates on progress towards New Zealand’s climate mitigation targets and adaptation goals (section 2); and
- Implementation progress of ERP1 and NAP1*: provides a programme-level overview of implementation progress of the current Plans (section 3).

Summary: Opportunities, risks, and recommendations

Opportunities and risks	Summary	Recommendations
<p>A. There is a need to ensure New Zealand meets its emissions budgets and demonstrates how it intends to achieve its first Nationally Determined Contribution (NDC1 for the period to 2030), and that any risks are managed - including through ongoing focus on implementing the first emissions reduction plan (ERP1); development of the second emissions reduction plan (ERP2); s 9(2)(f)(iv)</p>	<p>The Government must set out and implement credible emissions reduction plans for New Zealand to be able to meet its domestic emissions budgets and 2050 target. Any additional domestic action will also minimise the gap between our domestic abatement targets and NDC1.</p> <p>There is a risk that the first emissions reduction plan (ERP1) is no longer current and/or sufficient to meet climate commitments and needs to be managed, consistent with Climate Change Response Act (CCRA) requirements. The Climate Change Commission will be reporting publicly in July 2024 on the implementation and adequacy of ERP1, with a government response due by October 2024.</p> <p>Latest emissions projections (Dec 2023, based on settings as at July 2023) indicate we are currently on track to meet the first emissions budget. But there is considerably more uncertainty for the second and third emissions budgets and how we will bridge the gap to meet the NDC1 and the longer term 2050 target.</p> <p>Emissions projections are subject to uncertainty, with several factors impacting on our certainty in meeting emissions budgets: (a) external factors (such as economic activity, population growth, weather impacting hydro lakes, or decisions by large individual emitters); (b) how we measure emissions (methodology); and (c) policy changes and implementation and effectiveness of ERP policies. The Board will continue to monitor these and highlight via quarterly reports when developments may impact projections.</p> <p>Work is underway to align emissions reduction initiatives with broader government priorities. Most ERP1 actions remain on track for delivery, but as at 19 March 2024, 82 actions (amounting to 27% of the plan) have been discontinued or are pending Ministerial decisions. The potential cumulative effect of those ERP1 actions already discontinued or pending Ministerial decisions is unlikely to materially impact our ability to meet EB1, as abatement impact for this budget period is already largely locked in. The impact on abatement is expected to be material for EB2 and EB3, further</p>	<p>(1) Agree that the Board keep CPMG apprised of risks to New Zealand achieving its climate targets, and that CPMG focus on the following to mitigate these risks:</p> <ul style="list-style-type: none"> a) Implementation of ERP1 (particularly actions which support the achievement of future emissions budgets); b) The development of ERP2, which will provide the updated pathway to meet future emissions budgets; and c) s 9(2)(f)(iv) <p>(2) Agree that CPMG Ministers work with their line agencies on a plan for those actions in ERP1 that are red, amber or on-hold. This may include agreeing to stop, change or reprioritise some actions in line with streamlined priorities, whilst considering any implications for climate change targets and obligations.</p>

Opportunities and risks	Summary	Recommendations
	<p>increasing the uncertainty of meeting these budgets; however, any shortfall for future EBs should be addressed through ERP2 development.</p> <p>Several new initiatives are also in the process of being implemented, and their abatement potential will be modelled as part of ERP2 development. More broadly, ERP2 will provide the updated pathway for meeting future emissions budgets, and an opportunity to consider reducing the NDC1 abatement shortfall through more domestic action.</p>	
<p>B. There is considerable uncertainty associated with several NAP1 actions, which makes it difficult to assess the overall sufficiency of the adaptation response in addressing risks.</p>	<p>21 actions classed as critical in NAP1 are assessed as amber, red or on hold (40% of all critical actions). Of these, nine are delayed by more than six months. These delays are primarily driven by resource or funding constraints or because Ministerial decisions are needed. Officials propose that CPMG Ministers work with their line agencies to clarify the status of actions, to assist with assessing the sufficiency of the adaptation response.</p> <p>The Government must ensure NAP1 addresses the most significant risks identified in the 2020 National Climate Change Risk Assessment (NCCRA). The Climate Change Commission will be reporting publicly in August 2024 on the implementation of NAP1 and its effectiveness in addressing the NCCRA risks, with a government response to the report due by February 2025.</p> <p>This response is an opportunity for Government to make decisions about where it wants to prioritise its adaptation efforts to address known and future risks. To prepare for this response, the Board recommends CPMG endorse the NAP1 objectives (see Appendix 1) so agencies can provide advice on the actions required to meet those objectives. The Board also recommends CPMG have a strategic session on adaptation to determine the Government's key areas of focus for adaptation.</p>	<p>(3) Endorse the NAP1 objectives set out in Appendix 1 of this report.</p> <p>(4) Agree that CPMG Ministers work with their line agencies, over the next quarter, on a plan for all critical actions in NAP1 that are showing as red, amber or on-hold. This may include agreeing to stop, change or reprioritise some actions, to ensure they are both delivering the government priorities and meeting the relevant NAP objectives.</p> <p>(5) Agree that CPMG hold a strategic session on adaptation to determine the Government's key areas of focus for adaptation, in preparation for responding to the Climate Change Commission's report on the implementation of NAP1.</p>
<p>C. Managing impacts on climate objectives from broader policy priorities</p>	<p>Government decision-making relating to broader policy priorities should also consider New Zealand's climate change mitigation and adaptation objectives. For example, investment in proactive measures to protect properties and infrastructure from extreme weather can reduce recovery costs and economic disruption from</p>	<p>(6) Agree that CPMG seek assurance that a CIPA is completed to assess impacts on emissions from key government priorities.</p> <p>(7) Note that if CPMG directs it, reporting on broader adaptation priorities (including on how</p>

Opportunities and risks	Summary	Recommendations
	<p>climate change impacts. Consideration of impacts on emissions from investment decisions relating to infrastructure, housing and the built environment could help reduce emissions being locked in over the long-term.</p>	<p>adaptation impacts and opportunities are being sufficiently incorporated across the government's work programmes) could be incorporated into the Board's future reporting to CPMG, as per the discussion under Risk B above.</p>
<p>D. Internal resourcing adjustments and funding reprioritisation within agencies are some of the main delivery challenges for Government-led actions in ERP1 and NAP1. In light of this, consideration could be given to the role for government in enabling more private sector-led intervention</p>	<p>37 of ERP1 and 25% NAP1 actions that are active are experiencing delivery challenges. One of the most commonly cited reasons for these is internal resourcing or funding constraints. As agencies are working with Ministers and determining how to prioritise their resources, consideration should be given to where private sector-led action could be enabled to help deliver on New Zealand's climate goals.</p> <p>Ministers could seek advice through the development of ERP2 on how policy settings could enable greater private sector investment in climate initiatives. For example, the Ministry for the Environment is developing options for a green taxonomy, to reorient capital flows towards climate positive and sustainable economic activities.</p> <p>Government can also play an important role in addressing regulatory barriers that are slowing the uptake of new climate solutions, or design new regulations to support climate goals. For example, government requirements for climate-related risk disclosures among private and public entities have already helped drive greater risk awareness and more resilient business practices. Other opportunities exist, for example, working with industry to address safety standard limits for handling of green hydrogen, which are causing challenges as businesses scale production and use.</p> <p>The Board is also engaging with the Climate Business Advisory Group (CBAG)¹ on the development of ERP2, to further examine opportunities to enable more private sector decarbonisation.</p>	<p>(8) Note the potential for addressing regulatory barriers for emerging green technology and the adoption of new climate solutions by the private sector, and for such opportunities to be considered through the development of ERP2.</p>

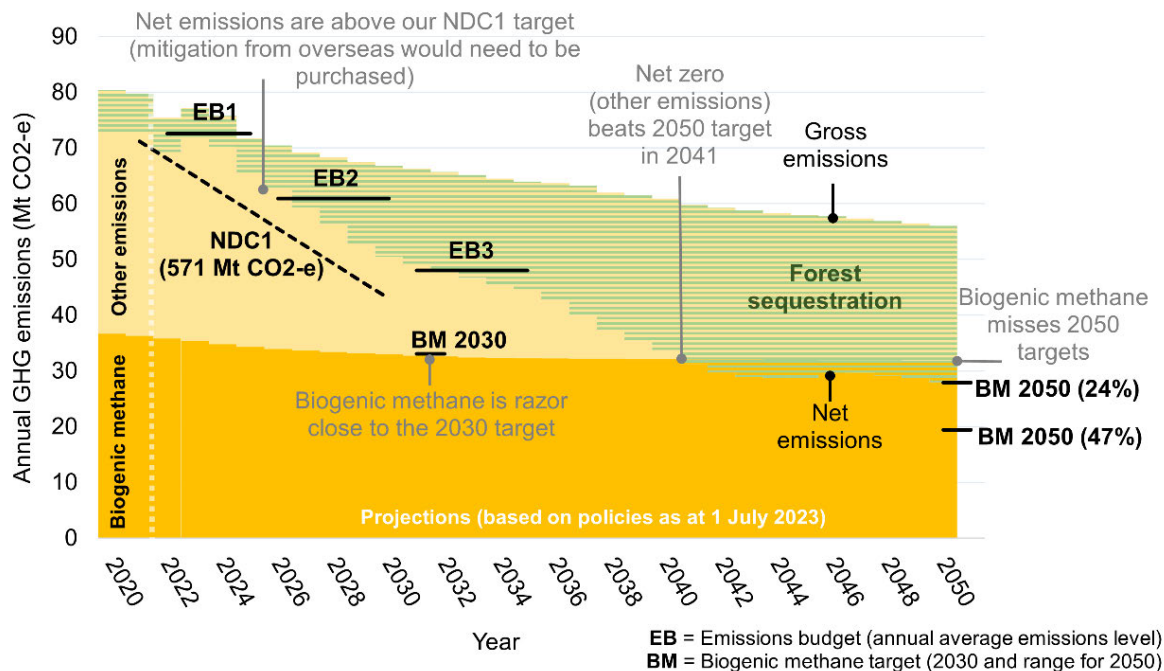
¹ The CBAG is a collaboration between the public and private sector, established between MfE and the Sustainable Business Council to facilitate discussion ahead of ERP2 on the key barriers and policy shifts that can help unlock more investment and low carbon activity from the private sector.

Section 1: Delivering the Government's Climate Priorities

Sector/theme	Manifesto/Coalition Agreement commitments	Responsible Minister	Progress to date; Upcoming work over the coming quarters, including any upcoming Cabinet papers or dates	Any key risks, opportunities, or interdependencies
Energy	<p>Core policy: Energy Action Plan/Electrify NZ, including:</p> <ul style="list-style-type: none"> Electrify NZ: cut red tape to enable investment in renewables so New Zealand can double its supply of affordable, clean energy and become a lower emissions economy by 2050: Removing consenting barriers to accelerate consenting of 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. 	Minister for Energy	<ul style="list-style-type: none"> Fast track approvals legislation introduced into Parliament 7 March 2024 Cabinet considering next steps for work on EV charging in April 2024 Offshore renewable energy legislation policy proposals to Cabinet in May 2024 s 9(2)(f)(iv) Electricity Authority working on some aspects of Electrify NZ around rules for infrastructure investment 	<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.: RMA-related parts of Electrify NZ are being coordinated with the wider RM reform programme (both changes to legislation and national direction instruments). 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).
Transport	<p>Core policies:</p> <ul style="list-style-type: none"> Deliver 10,000 public EV chargers by 2030 Eliminate the need for resource consents for EV charging points Enable the development of sustainable aviation and marine biofuels 	Minister of Transport	<p><u>Electric vehicle charging infrastructure:</u></p> <ul style="list-style-type: none"> The Minister of Transport and Minister for Energy will take a paper to Cabinet in early April 2024 to provide an update on: <ul style="list-style-type: none"> the public EV charging context, existing work to address regulatory barriers to private investment in EV charging, and plans for the EV charging work programme and government co-funding model. Officials are progressing the cost-benefit analysis for public EV charging infrastructure, as outlined in the National-ACT Coalition Agreement. Early outputs will feed into ERP2 emissions impact analysis, and the analysis will be finalised by November 2024. <p><u>Enable the development of sustainable aviation and marine biofuels:</u></p> <ul style="list-style-type: none"> Officials attended the International Maritime Organisation (IMO) climate change negotiations (MEPC81) over March 2024. <ul style="list-style-type: none"> IMO will produce a revised greenhouse gas mandate. s 9(2)(f)(iv) Cross-government and industry group Sustainable Aviation Aotearoa are investigating barriers and opportunities relating to sustainable aviation fuels (SAF). 	<p><u>Electric vehicle charging infrastructure:</u></p> <ul style="list-style-type: none"> There are close interdependencies with Electrify NZ workstreams (including measures relating to the costs, processes, and timeframes for new connections to the electricity network). Officials are working closely across agencies on the relevant policies
Agriculture	<p>Core policies:</p> <ul style="list-style-type: none"> 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 End the effective ban on GE and GM technologies Full recognition of on-farm sequestration on a robust, scientific basis Fair and sustainable pricing of on-farm emissions by 2030: <ul style="list-style-type: none"> 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 	Minister of Agriculture	<p><u>Methane science and target review</u></p> <ul style="list-style-type: none"> Cabinet paper for announcement prior to 8 April 2024 (joint with Minister of Climate Change) <p><u>Climate Change Response Act</u></p> <ul style="list-style-type: none"> Backstop amendments to Cabinet start of April 2024 (joint with Minister of Climate Change) 	
Forestry	<p>Core policies:</p> <ul style="list-style-type: none"> Build confidence in forestry by restoring the stability of Emissions Trading Scheme revenues for the sector Limiting whole-farm conversions to exotic forestry on high-quality productive land registering in the ETS from 2024 	Minister of Forestry	<p><u>Climate Change Response Act: limiting whole-farm conversions to exotic forestry in ETS</u></p> <ul style="list-style-type: none"> s 9(2)(f)(iv) 	
Climate Data System	<p>Core policy: Delivering high quality data, informing decisions, and supporting research into real world policy options. This includes:</p> <ul style="list-style-type: none"> Measuring progress to date; modelling and projections of climate risks and emissions; data on options, their costs and benefits; and linking these things to real world variables for example across the economy, or rural and urban communities 	Minister of Climate Change	<p>The Ministry for the Environment (MfE) will be delivering:</p> <ul style="list-style-type: none"> an emissions reporting dashboard by 1 July 2024 which provides quarterly reporting on measuring mitigation progress to date with real world data. a data tool which provides open access to NIWA's downscaled climate impacts projections by 1 July 2024 for adaptation and RM decision making. <p>MfE will also be releasing:</p> <ul style="list-style-type: none"> its updated Measuring Emissions Guide in May which supports business and organisations to measure emissions and assist in reducing emissions. the 2024 Greenhouse Gas Inventory in April 2024 which will support emissions reporting. <p>MfE will be improving the quality and timeliness of its emissions projections through the Climate Data Initiative by delivering integrated emissions "data lakes" by 1 July 2024.</p>	<p>The All of Government Climate Data Initiative is a significant opportunity to improve the accessibility, timeliness, and quality has on climate decision making and real-world policy options by bringing together climate data spread across central agencies, local government, and businesses. The initiative has high expectations from local government and businesses to resolve systemic issues around sharing and using climate data.</p>
Adaptation	<p>Core policy: Adaptation Framework, including:</p> <ul style="list-style-type: none"> Introducing adaptation legislation in Q1 2025 Gathering and sharing information about climate related risks to support informed decision making 	Minister of Climate Change	<p><u>Framework Development</u></p> <ul style="list-style-type: none"> The Minister of Climate Change will take a paper to Cabinet before April 2024 to: <ul style="list-style-type: none"> Initiate development of an adaptation framework Seek in-principle agreement to high-level objectives and scope Seeks agreement to transfer the existing inquiry to the Finance and Expenditure Committee (FEC). <p><u>Policy Development</u></p> <ul style="list-style-type: none"> Agreement to establish a Ministerial Advisory Group through Cabinet in April 2024, with first meeting proposed for early May 2024. 4-8 Issues and options papers expected to be developed throughout the current and next quarters. Further policy advice to support final Select Committee report expected quarter 3. Scoping of framework underway with work programme to be tested across CPMG in late March 2024, and for Cabinet decisions in April 2024. 	<p>The Adaptation Framework work programme is focused on levers within the climate change portfolio but will have interdependencies with other portfolios such as emergency management, infrastructure, housing, and resource management.</p> <p>Officials are working closely across agencies on the relevant policies.</p>

Section 2(a): Progress against emissions targets

Projections show we are currently on track to meet EB1, but there is considerably more uncertainty for EB2 and EB3



Note: This graph provides a snapshot of central estimates that will be updated when projections are updated or revised. High and low projections are not shown.

Most recent emissions projections² show we are currently on track to meet our first emissions budget (EB1).

Our ability to meet EB2 and EB3 is considerably more uncertain, for the reasons outlined on the following page.³ Updated modelling and projections for future EBs will be provided as part of ERP2 consultation and before ERP2 is finalised in October. ERP2 is the key opportunity to provide the updated pathway for meeting future emissions budgets.

Domestic emissions reductions in pursuit of our EBs will count towards our Paris Agreement Nationally Determined Contribution (NDC1), and determine the amount of offshore mitigation that would need to be purchased to meet our NDC. The gap for NDC1 is estimated to be an additional 61Mt to 97 MtCO₂e.

² Most recent projections were published in December 2023, based on policy and modelling assumptions as at 1 July 2023, with the baseline calibrated to New Zealand’s 2023 emissions inventory. In 2024, ERP2 related work includes estimating emissions projections under various policies. The NDC1 gap will be reassessed in late 2024, following the release of updated projections.

³ s 9(2)(f)(iv)

Several factors impact our certainty in meeting future emissions budgets

Annual emissions projections⁴ are tools for monitoring progress towards emissions budgets and assessing the sufficiency of future ERPs. They are 'snapshots in time' and subject to uncertainty. The projections are contingent on several factors:

- **External factors, including macroeconomic variables outside of the government's direct control, can have a significant impact on emissions.** For example, economic activity, climatic events such as weather affecting hydro lake inflows, and international developments such as oil prices and global conflict. The Board will continue to track macro indicators to identify as early as possible where there are risks. In addition, decisions by large individual emitters (notably whether Tiwai Point remains open) will have a material impact on emissions and our ability to meet emissions budgets.
- **Methodological improvements to how we measure and calculate our emissions inventory can cause fluctuations in New Zealand's projections.** These are made annually to align with best practice internationally, with upcoming (April 2024) methodological changes expected to show higher than previously expected agricultural emissions, making EBs harder to achieve.
- **Policy changes and related impacts on abatement.**
 - Policy changes (removing the Clean Car Discount (CCD) and the Government Investment in Decarbonising Industry (GIDI) fund and delaying agricultural emissions pricing) are expected to have a minimal impact on achieving EB1 as abatement from these policies is mostly 'locked in' for EB1. Changes to these policies will impact EB2 and EB3 more materially,⁵ with initial calculations showing an increased likelihood of not meeting EB3 unless other policies are put in place (with ERP2 being the key opportunity to do so).
 - Any decisions to discontinue additional policies could further reduce emissions reductions, though in many cases the policies being stopped will continue in different ways (including through ERP2) or had no projected direct abatement impacts.
 - The impact of the broader commitments of the government's plan to reduce emissions (e.g. doubling renewable energy production; expanding public EV charging network) are not yet quantified and will be modelled as part of ERP2 development.
- **A continuously rising Emissions Trading Scheme price pathway is currently assumed in modelling, but this does not reflect current policy settings.** Officials estimate under current settings, NZ ETS prices will peak and then fall after 2030, driven by the supply of New Zealand Units (NZUs) from forestry coming into the NZ ETS and outstripping NZU demand from NZ ETS participants. This heightens the risk of not meeting EB3. Work is underway to incorporate the expected future NZ ETS price pathway (from current settings) into projections, and to provide advice on options as needed, should Government seek to achieve a steadily rising price into the 2030s.⁶

The combined impact of the April methodological improvements, recent policy changes and discontinuations, and changes in ETS price path assumptions are expected to decrease the buffer for EB1, and result in little or no buffer for EB2 and EB3. Updated projections (including modelling of the impact of new policies) will occur ahead of ERP2 consultation in June and the finalisation of ERP2 in October. ERP2 will be the key opportunity to provide the updated pathway for meeting EB2 and EB3.

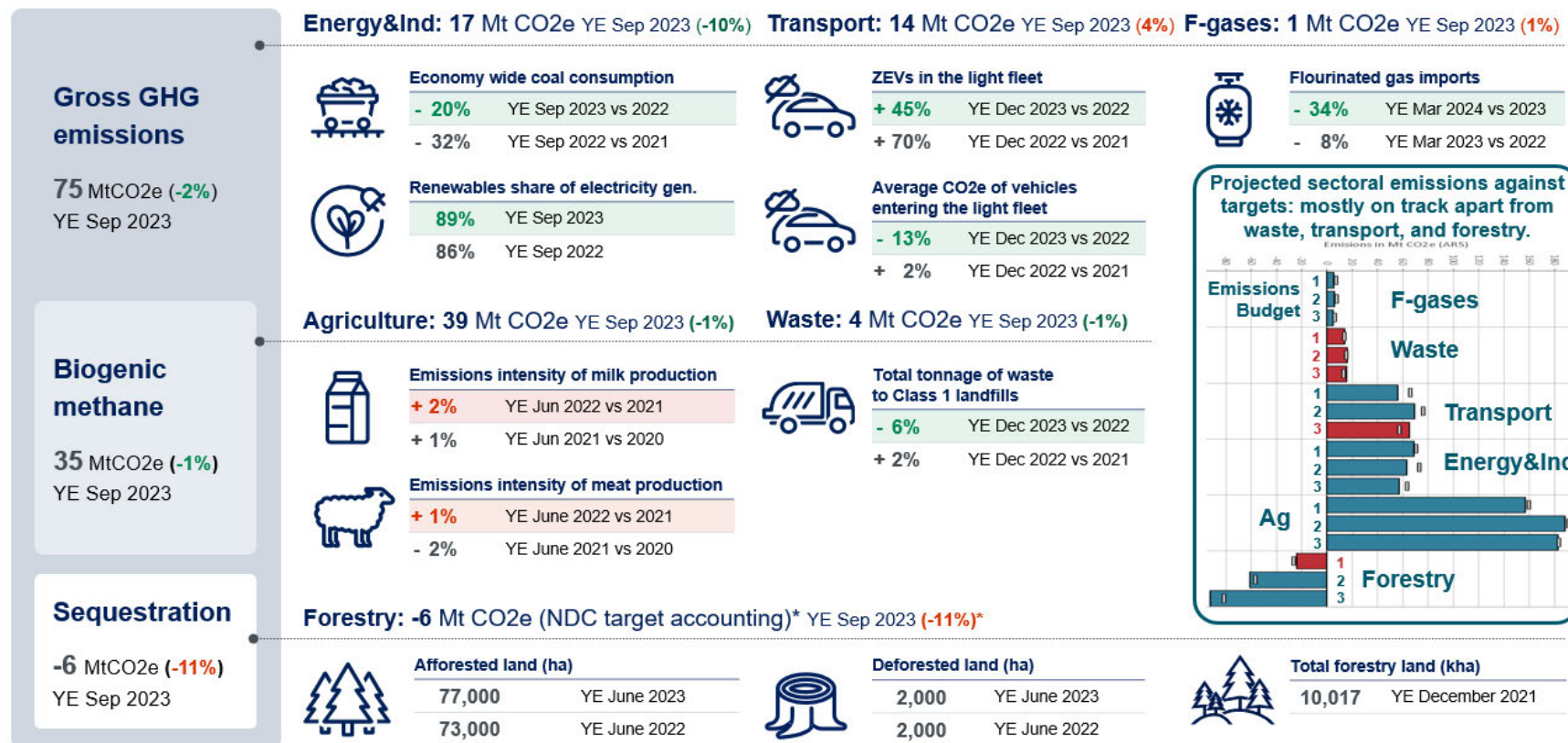
⁴ Emissions projections are updated annually, with a mid-year revision allowing for material policy changes to be incorporated. MfE is considering improvements to the cadence and methods used for projections. Despite their limitations, projections are a key tool for assessing whether policies are sufficient to meet emissions targets.

⁵ The impact of making these policy changes is negligible for EB1, with the central emissions estimate expected to increase by less than 1 Mt CO₂e. The impact of these changes means that EB2 and EB3 will be more challenging to achieve, with the central estimate expected to increase by 6 Mt and 9Mt respectively.

⁶ The projections also do not account for the ETS 'waterbed' effect where some policy interventions driving abatement in sectors within the ETS could be offset by increased emissions elsewhere and/or at a later date.

Sectoral emissions indicators generally show lowering emissions, but some sector sub-targets (as set in ERP1) are challenging to meet

ERP1 included sector sub-targets to enable tracking and management of ‘overs and unders’ towards achieving overarching EBs. Overall, gross emissions and biogenic methane dropped for YE September 2023. However, this trend does not apply across all sectors; CO₂ sequestration from forestry declined by 11% compared to YE September 2022, meanwhile transport and F-gas emissions increased. Scanning of initial macro indicators⁷ does not indicate any imminent sectoral or macro risks for the next quarter, other than those mentioned in the previous slide.



* Forestry sequestration estimates (MtCO₂e) are based on projections. GHG emissions (MtCO₂e) are provisional estimates based on best available data.

⁷ Indicators included: Net migration, renewables as % of electricity generation, milk production, emissions intensity, ANZ's truckometer, and fuel imports.

Section 2(b): Progress against adaptation goals

Climate change is exposing households, communities and the Crown to a range of risks. This requires difficult decisions about where people live, and where and how we invest in infrastructure for the future

- The National Climate Change Risk Assessment 2020 (NCCRA) identified 43 priority risks, including the 10 most significant risks across five domains (see box below). These risks are beginning to materialise with more severity and intensity than anticipated.
- The Climate Change Response Act (2002) requires a National Adaptation Plan to respond to the most significant risks. NAP1 was published in August 2022 and aims to achieve the following goals (which align with the global goal on adaptation established under the 2015 Paris Agreement):
 - reduce vulnerability to the impacts of climate change
 - enhance adaptive capacity and consider climate change in decisions at all levels
 - strengthen resilience.
- We do not have a complete set of formal indicators to measure the overall sufficiency of the adaptation response in reducing risks in the NCCRA and the Board is considering potential indicators for future reporting.

For example, since NAP1 was released in August 2022, New Zealand has had 22 states of local emergency related to severe weather or flooding, including a national state of emergency for Cyclone Gabrielle. In comparison, in the 20 years between June 2002 and July 2022 there were 60 local states of emergency related to severe weather or flooding.

Ten most significant risks the NAP must address:

Natural	Human	Economy	Built	Governance
Risks to coastal ecosystems (N1)	Reduced community cohesion due to displacement (H1)	Lost productivity, disaster relief expenditure and unfunded contingent liabilities (E1)	Drinking water availability and quality (B1)	Decision making that doesn't account for uncertainty and change over long timeframes (G1)
Impact of invasive species on indigenous ecosystems (N2)	Inequities due to differential distribution of climate impacts (H2)	Financial system instability (E2)	Buildings impacted by extreme weather, fire, drought and sea level rise (B2)	Risks that climate change impacts across all domains will be exacerbated because institutional settings are not fit for adaptation (G2)

Recent research provides insights into how New Zealanders view climate change risk and their actions in response, and the need for a whole of government response



70% of property owners are seeing impacts from climate change.

- But property owners are not thinking about what this means for their property, with most people not well-informed about the actions they can take to address risks.
- Data does not yet exist on the experience of renters in relation to climate change.



More than half of property owners feel it's the responsibility of the government to cover the costs of climate change to property.

- People are looking to digital government sources to be informed about the actions they can take to reduce risk.



Biggest barrier to climate action for councils is funding, along with resources and expertise. Councils are calling out for data and tools to present the evidence, including the need for more standardisation and guidance.

- Business owners are also seeking more tailored guidance on incorporating climate scenarios and projections into business planning and investment decisions.
- Surveys into training and development needs of adaptation practitioners across local and central government are underway, with the results expected by March 2024..

There is an opportunity to change or speed up elements of the NAP1 that require a whole-of-government response, to ensure individuals and businesses have the information and guidance they need to respond.

This includes a focus on:

- Developing the climate data system
- National direction on natural hazards
- Incorporating adaptation into resource management, planning and infrastructure decisions
- Decisions on roles and responsibilities and funding and financing of adaptation (new Adaptation Framework).

Findings are part of wider research projects commissioned by MfE in Q3, 2023 - *MfE | TRA Property Owners Climate Resilience Oct 2023, MfE | Ipsos Understanding Local Government User Needs Oct 2023*. Please refer to the research for wider understanding and context.

Section 3: Implementation Progress on ERP1 and NAP1

Key takeaways

- The following dashboards summarise implementation progress at the action level across ERP1 and NAP1 for the July-December 2023 period. ERP1 has 305 actions, of which 57 have been classified by agencies as critical actions.⁸ NAP1 has 127 actions, of which 52 have been deemed critical actions.⁹
- Agencies reported on implementation progress using a RAG assessment¹⁰ (red, amber, green), based on their delivery confidence.
- Key themes from this reporting period (July – December 2023) include:
 - The majority of ERP1 and NAP1 actions are active and rated as green – albeit a decline from the previous reporting period. The decreased number of active actions can be explained by:
 - an increase in the number of actions that have been completed;
 - a number of actions have been closed (due to errors or duplications); and
 - an increase in discontinued actions by ministerial decisions, including a number of actions classified as critical.
 - The number of active actions rated as amber or red in this reporting period has increased; this trend also applies to critical actions in the plans. Key reasons cited include internal funding/resourcing constraints and the need for Ministerial decisions.
 - This reporting period coincided with the change in government following the 2023 election. As at 19 March 2024, the implementation of 54 (or 18%) ERP1 actions require clarity and direction from Ministers. Seventeen of these have been previously categorised as critical actions, for example implementation of a pricing mechanism for agriculture. Agencies are currently working with Ministers to obtain decisions on actions they are responsible for, and in doing so, considering any implications for climate change targets and obligations.

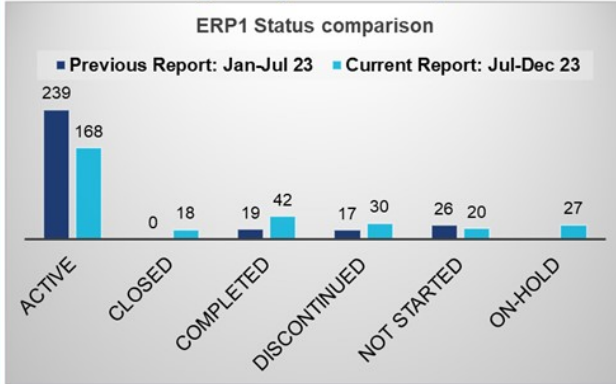
⁸ Critical actions were determined by agencies in 2022 after publication of ERP1 based on the action's level of emissions impact, interdependency with other work programmes, and Ministerial significance (at that time).

⁹ Through publication, NAP1 classified actions as either critical (for immediate start), supporting (less urgent or dependent on critical actions) or proposed (future work programmes).

¹⁰ A RAG framework was developed in collaboration with agencies and reviewed by Deloitte to provide confidence testing and some form of moderation of reporting by agencies. Amber means moderate confidence with some issues or risks, red means low delivery confidence with major risks or issues.

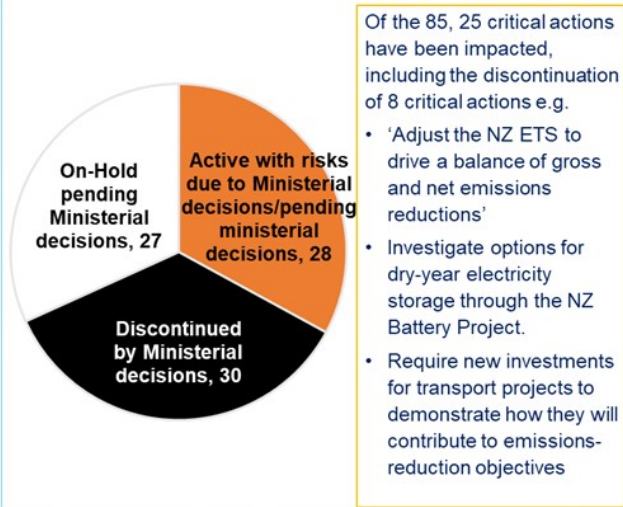
The emissions reduction plan (ERP1) implementation progress

Of the ERP1's 305 actions, the majority are still active, with a growing number completed



In this reporting period 11 critical actions were completed, for example the national EV-charging infrastructure strategy and the evaluation of options to support the decarbonisation of freight.

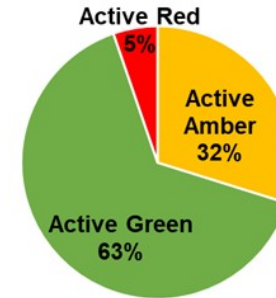
There are 85 actions impacted by Ministerial decisions, with 55 requiring clarity and direction from Ministers



Of the 85, 25 critical actions have been impacted, including the discontinuation of 8 critical actions e.g.

- 'Adjust the NZ ETS to drive a balance of gross and net emissions reductions'
- Investigate options for dry-year electricity storage through the NZ Battery Project.
- Require new investments for transport projects to demonstrate how they will contribute to emissions-reduction objectives

Of the active actions, 63% are rated green and on track for delivery in the short term. This compares to 73% Active green in the previous report.



Example of active rated green actions:

- Invest in organic waste processing and resource recovery infrastructure.
- Align NZ Emissions Trading Scheme (NZ ETS) settings with emissions budgets.
- Support the electricity market to transition to 100 per cent renewable generation

There are some key upcoming milestones in the first 6 months of 2024, including:



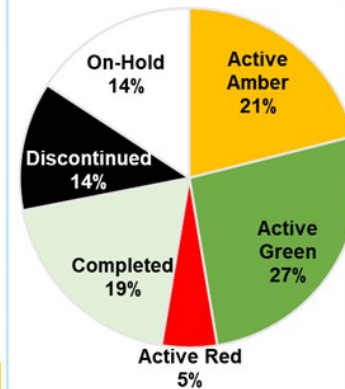
- Fast-track consenting regime to be introduced early 2024.
- Publication of final decision for Transpower's Net Zero Grid Pathways proposal.
- Publish 'Approved List' of smart EV chargers that meet specifications for connectivity and efficiency.
- Development and implementation of initiatives from the International Science Partnerships Programme.
- Implement framework for approving other sustainable building rating systems

Past and pending Ministerial decisions primarily impact four sectors

Sector	Number of actions
Transport	25
Energy & Industry	15
Equitable Transition	7
Emissions Pricing	6

However, these will have flow on effects to other work programmes, due to the high level of interdependencies these chapters have.

Of the 57 critical actions, 30 (53%) are active and 15 (26%) are rated green in terms of overall confidence to deliver to the plan. This compares to 28 (45%) active green in the last report



Examples of Critical actions rated red on overall confidence to deliver to the plan:

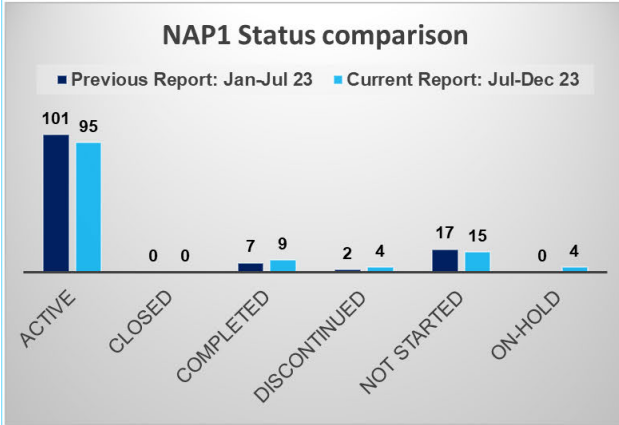
- Set sub-national VKT reduction targets for NZ's major urban areas (Tiers 1 and 2) by the end of 2022
- Revise Waka Kotahi's national mode shift plan to ensure nationally led activities align with the pace and scale of VKT reduction and mode shift required in urban areas

Note: An earlier version of this dashboard had minor counting errors for the numbers of 'discontinued' and 'on-hold' actions in the top middle section. This dashboard has been updated with the current numbers.

The national adaptation plan (NAP1) implementation progress

Of the 127 actions in NAP1, the majority are active but 15 have not yet started. This compares to 17 not started in the last report.

Those not yet started include supporting Māori small business resilience & expanding funding for proactive community resilience.



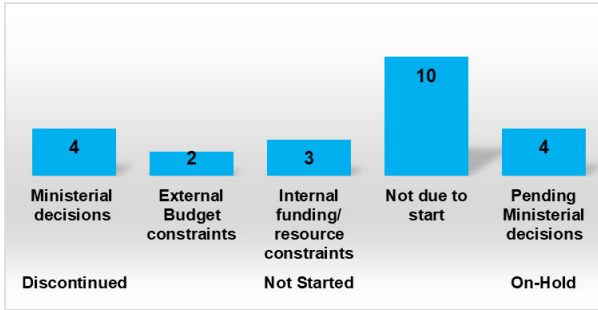
Two actions were completed since the last reporting period. These are strengthening fisheries rules, and publishing work on how NZ meets the costs of climate change and invests in resilience.

There are key upcoming milestones in the first six months of 2024, including:



- Providing the public with access to the latest climate projections data
- Releasing a Budget Economic and Fiscal Update, including commentary on climate costs and fiscal risks
- Assessing new crops/species to support adaptation and commence economic land-use modelling as part of work identifying climate change impacts on regional economies

Actions are inactive for a range of reasons, including being discontinued, on-hold and awaiting Ministerial decisions, have funding or resource constraints or are not yet due to start.

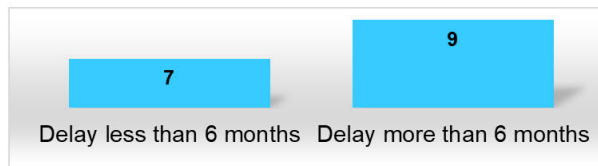


Those on hold pending Ministerial decisions include:

- Prioritising nature-based solutions & wider biodiversity outcomes in climate work programme
- Deliver the Integrated Farm Planning Programme
- Manage dry-year risk through the New Zealand Battery Project

There are 16 delayed critical actions with the majority delayed by more than 6 months compared with 10 delayed critical actions in the last report.

Those delayed by more than 6 months include expansion of climate-related disclosures regime, developing guidance for assessing risk & physical impact on assets, embedding adaptation in funding models for housing & urban development & integrating adaptation into NZTA decision making.



Of the active actions, 66% are rated green and on track for delivery in the short term. This compares to 72% rated green in the previous report.

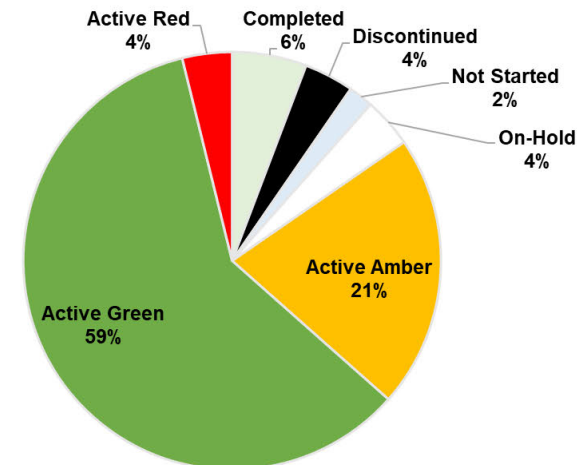
Example of active rated green actions:

- Integrate adaptation into Treasury decisions on infrastructure
- Implement the Water Availability and Security programme
- Improve natural hazard information on Land Information Memoranda

Of the 52 critical actions, 44 (85%) are active & 31 (59%) are rated green in terms of overall confidence to deliver to the plan compared with 34 (65%) in the last report.

Two critical actions are rated red on overall confidence to deliver to the plan:

- Implement the Department of Conservation Climate Change Adaptation Action Plan, due to internal funding/resource constraints
- Implement the proposed National Policy Statement on Indigenous Biodiversity, due to pending Ministerial decisions



Appendix 1: The Board recommends Ministers endorse the objectives set out in NAP1, as set out below:

Area	Code	Objectives for adaptation (as set out in NAP1)
System-wide	SW1	Legislative and institutional arrangements are fit for purpose and provide clear roles and responsibilities
	SW2	Robust climate information about climate risks and adaptation solutions are accessible to all
	SW3	Tools, guidance and methodologies enhance our ability to adapt
	SW4	Unlocking investment in climate resilience
Natural environment	NE1	Ecosystems which are healthy and connected, and where biodiversity is thriving
	NE2	Robust biosecurity reduces the risk of new pests and diseases spreading
	NE3	Support working with nature to build resilience
Housing, buildings and places	HBP1	Homes and buildings are climate resilient, and meet social and cultural needs
	HBP2	New and existing places are planned and managed to minimise risks to communities from climate change
	HBP3	Māori connections to whenua and places of cultural value are strengthened through partnerships
	HBP4	Threats to cultural heritage arising from climate change are understood and impacts minimised
Infrastructure	INF1	Reduce the vulnerability of assets exposed to climate change
	INF2	Ensure all new infrastructure is fit for a changing climate
	INF3	Use renewal programmes to improve adaptive capacity
Communities	C1	Enable communities to adapt
	C2	Support vulnerable people and communities
	C3	Support communities when they are disrupted or displaced
	C4	The health sector is prepared and can support vulnerable communities affected by climate change
Economy and financial system	EF1	Sectors, businesses and regional economies can adapt. Participants can identify risks and opportunities and take action
	EF2	A resilient financial system underpins economic stability and growth. Participants can identify, disclose and manage climate risks