



Draft Cabinet paper – *New Zealand’s Climate goals and obligations*

Date submitted: 29 February 2024

Tracking number: BRF-4311

Security level: CLASSIFICATION

Agency priority: Medium

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS Minister of Climate Change	<ol style="list-style-type: none"> Review and provide feedback on the attached draft Cabinet paper. Agree to the timeframes outlined in this paper. 	4 March 2024
CC Hon Nicola WILLIS Associate Minister of Climate Change		

Actions for Minister’s office staff
Return the signed briefing to the Climate Change IEB Unit (CCIEB@mfe.govt.nz)

Appendices and attachments
1. Draft Cabinet Paper: <i>New Zealand’s Climate goals and obligations</i>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Lydia Marston	9(2)(a)	✓
Deputy Executive Director	Chris Nees	9(2)(a)	

Minister’s comments

Draft Cabinet paper– *New Zealand’s climate goals and obligations*

Purpose

1. This briefing provides you with a draft Cabinet paper outlining New Zealand’s climate goals, legal obligations and seeks formal Cabinet agreement to close ERP and NAP actions that Ministers have agreed to stop. It also sets out the proposed timeframes to progress this Cabinet paper.

Context

2. At your bilateral meeting with the Minister of Finance you agreed to develop a Cabinet paper to ensure Ministers have a clear and consistent understanding of New Zealand’s climate commitments.
3. Attached to this briefing (at **Appendix 1**) is the first draft of this Cabinet paper, which addresses four key areas:
 - a. New Zealand’s domestic and international climate change targets, goals, and their associated legal obligations,
 - b. the context of increasing litigation and how best to manage this risk,
 - c. analysis on the impacts of stopping work on several actions in the first emissions reduction plan (ERP1) and national adaptation plan (NAP1),
 - d. next steps you intend to take in the climate work programme, which will need Cabinet decisions.

Comment

4. [REDACTED] 9(2)(h) [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - To note, we are awaiting a final review of language from Crown Law.
5. As discussed with you, it is timely for Cabinet to be briefed on the cumulative impact of stopping various ERP1 and NAP1 actions, where Ministers have directed their agencies to do so. [REDACTED] 9(2)(h) [REDACTED]

6. Paragraphs 66-67 and Appendix 4 of the Cabinet paper sets out these changes and their impacts. Our current assessment is that the actions being closed do not have a material or direct impact on emissions, but this is subject to final information from agencies. 9(2)(h)
7. You are receiving separate advice about the Equitable Transitions Strategy and managing distributional impacts of climate policies. We will ensure your preferred approach is reflected in the Cabinet paper once you have determined the approach with the Ministers of Social and Economic Development.
8. We also attach a Climate Implications of Policy Assessment (CIPA) to the Cabinet paper at Appendix 6. The CIPA is not strictly required, because the changes are not currently expected to have an emissions impact. However, this is still under development, because a number of actions remain under consideration for inclusion in the paper, officials will continue to evaluate the emissions impacts.

Consultation process

9. The following agencies have been consulted on this draft Cabinet paper: Department of Internal Affairs; Department of Conservation; Ministry of Housing and Urban Development; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry of Business, Innovation and Employment; Te Waihangā; Ministry of Transport, Ministry of Primary Industries; National Emergency Management Agency; the Treasury; Te Puni Kokiri; Ministry of Social Development; and the Department of Prime Minister and Cabinet.

Next steps

10. Following your review and any feedback, we will provide you with an updated paper so you can consult with your Ministerial colleagues.
11. As requested by your Office, we have extended the Ministerial consultation timeframe to around three weeks to reflect Ministerial interest in this Cabinet paper.
12. This extended timeframe will also support some Ministers to finalise discussions on which actions to discontinue. The Ministry of Business Innovation and Employment are seeking confirmation on 6 actions and Ministry of Transport on 4 from their respective Ministers, these are currently in the paper as placeholders. Subject to confirming these actions, we can include them within this Cabinet paper.

13. The full timeline to progress this Cabinet paper is provided below:

Minister provides feedback on draft Cabinet paper	Monday 4 March
Ministerial consultation	5-21 March
Incorporate Ministerial feedback	21 March – 27 March <i>Note Easter (Fri 29 March-1 April)</i>
Final Cabinet paper to Minister for review	Tuesday 2 April
Lodge paper	Thursday 4 April
Economic Policy Committee meeting	Wednesday 10 April
Cabinet meeting	Monday 15 April

Recommendations

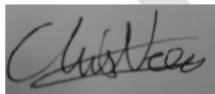
We recommend that you:

Review and provide feedback on the attached draft Cabinet paper Yes | No

Agree to consult with your Ministerial colleagues on the draft Cabinet paper between 4 and 21 March Yes | No

Agree the paper be considered at the Cabinet Economic Policy Committee on 10 April Yes | No

Signatures



Chris Nees
 Deputy Executive Director
Climate Change Chief Executives Board
 29/02/2024

Hon Simon WATTS
Minister of Climate Change

Date

Appendix 1: Draft Cabinet paper: New Zealand's Climate Goals and Obligations

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

In Confidence

Office of the Minister for Climate Change

Economic Policy Committee

New Zealand's Climate Goals and Obligations

Proposal

- 1 This paper seeks to:
 - a) ensure Cabinet has a clear understanding of New Zealand's climate change targets and goals and associated key legal obligations;
 - b) set out the context of increasing climate litigation and how to manage this risk;
 - c) provide Cabinet with analysis on the impacts of stopping work on several actions in the first emissions reduction plan (ERP1) and national adaptation plan (NAP1) - the key climate action plans to meet climate targets;
 - d) signal upcoming points of Cabinet decision-making on our climate work programme.

Relation to government priorities

- 2 The proposals in this paper reflect this Government's commitment to meet the net zero target emissions of all greenhouse gas emissions other than biogenic methane by 2050, and manifesto commitments to:
 - a) double supply of renewable energy;
 - b) deliver 10,000 more public EV chargers;
 - c) lower agricultural emissions through a technology-led approach; restrict land-use conversions and increase confidence in the forestry sector and forestry pricing.
 - d) The second emissions reduction plan (ERP2) due to be published by the end of 2024, will communicate to New Zealanders how we will deliver on these commitments, and ensure we are on a path to meet the 2050 target.
- 3 This Government has committed to developing adaptation framework legislation and highlighted the importance of the provision of high-quality information, to inform how New Zealand adjusts to the current and projected impacts of climate change.

Executive Summary

- 4 The Climate Change Response Act legislates domestic emissions reduction targets and establishes a set of legal obligations to meet climate targets and goals:
 - a) 10 per cent reduction below 2017 biogenic methane emissions by 2030, and 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050
 - b) net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050.

5 [REDACTED] 9(2)(h)

9(2)(h)

6 New Zealand ratified the Paris Agreement in 2016. As part of the Agreement, New Zealand agreed to set progressively ambitious targets that contribute to the global climate response. New Zealand's first such target (Nationally Determined Contribution) commits to reduce net emissions to 50 per cent below gross 2005 levels by 2030.

7 6(a)

8 9(2)(h)

10 Our climate priorities, and approach to decarbonisation has resulted in work stopping on a number of policies in ERP1 and the first National Adaptation Plan (NAP1). These changes are not expected to have a material impact on our ability to achieve our first emission budget, either because the abatement impacts are already 'locked in' or because they do not have a direct impact on emissions.

11 As we develop and deliver the second ERP over 2024, we will set out this Government's updated policy pathway to meet future emissions budgets. Consulting on and publishing this plan will ensure we have 9(2)(h)

12 9(2)(f)(iv)

9(2)(f)(iv)

- 13 Over the next quarter I will bring a number of papers to Cabinet to ensure we meet our climate goals and obligations:
- a) In April, a net zero strategy for publication in advance of ERP2 consultation. This will lay out the strategy to meet climate targets through to 2030, 2050 and beyond.
 - b) In May, I will seek Cabinet agreement to public consultation on the second emissions reduction plan.
 -)

9(2)(f)(iv)

New Zealand's domestic climate commitments

The Climate Change Response Act provides the framework for our domestic response...

- 14 The Climate Change Response Act (the Act) intends to support stable climate change adaptation and mitigation policies that provide predictability for New Zealand households, businesses, and investors. It legislates a domestic emissions reduction target to achieve:
- a) a 10 per cent reduction below 2017 biogenic methane emissions by 2030, and
 - b) a 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050, and
 - c) net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050.
- 15 A key requirement of the Act is the duty for the Minister of Climate Change to set a system of legally binding emissions budgets. These budgets cap the amount of net greenhouse gas emissions that are permitted across successive five-year periods (four years in the case of the first emissions budget). These are designed to step New Zealand towards the 2050 target while balancing flexibility with policy predictability, and be consistent with the Paris Agreement 1.5°C global temperature goal.
- 16 The Act contains mechanisms that provide some ability to adjust New Zealand's climate response if circumstances change¹:
- a) **Banking**: allows the Government to carry forward any excess abatement achieved over the current emissions budget period to the next emissions budget.
 - b) **Borrowing**: once the period is over, there is a possibility to borrow up to 1 per cent of the next emissions budget to meet the past budget period. The Minister

¹ Decisions on banking, borrowing and offshore mitigation can only be made after the Climate Change Commission provides its final report at the end of the emissions budget period. The report for EB1 will be provided in mid-2027, the Minister of Climate Change must have regard to this advice.

must have regard to the Climate Change Commission's prior advice on the quantity that may be banked or borrowed over two budget periods.

- c) **Revising:** In limited circumstances, emissions budgets that have been set can be revised before their budget period begins, but only following a recommendation of the Climate Change Commission.
- d) **Offshore mitigation:** may be used if there is a significant change in circumstance that affects the consideration on which the relevant emissions budget was based on, or that affects the ability to meet the relevant emissions budget domestically.

...and establishes a set of legal obligations to meet our targets and goals.

17 [REDACTED] 9(2)(h)
[REDACTED]
[REDACTED]

Emissions projections are a key tool for assessing whether policies are likely to be sufficient to meet emissions budgets and we need to track this regularly.

18 Emissions projections are updated annually and subject to uncertainty and change over time. As well as annual updates in Q4, the Climate Change Chief Executives Board provides six monthly assessments of whether we are on track to meet budgets. The projections change with each update to reflect updated assumptions about economic activity, impacts of policy settings, and updates to the way emissions are measured (methodological adjustments).

19 These factors will impact on New Zealand's ability to meet its emissions budgets and change with each update. [REDACTED] 9(2)(h)
[REDACTED]

20 [REDACTED] 9(2)(h)
[REDACTED]

[REDACTED]

9(2)(h)

New Zealand's international obligations and commitments

9(2)(h)

There are also obligations under the New Zealand–European Union Free Trade Agreement (“EU FTA”)

30 The EU FTA is likely to enter into force by June. The EU FTA requires New Zealand and the EU to, among other things, “effectively implement the UNFCCC and the Paris Agreement, including commitments with regard to NDCs” (Article 19.6(2)).

31 9(2)(h)

Our first NDC is to reduce net emissions to 50 per cent below gross 2005 levels by 2030.

32 New Zealand’s first NDC (NDC1) target was set in 2016. In 2021, following advice from the Climate Change Commission, our NDC1 was enhanced, to better align with the purpose and procedural commitments in the Paris Agreement, including the temperature goal.

9(2)(f)(iv)

Around 97 Mt CO₂-e² is required in emissions reductions between 2021 and 2030, over and above our first two domestic emissions budgets, in order to meet New Zealand’s NDC1.

34 9(2)(f)(iv)

Cabinet will be required to set the second NDC target by February 2025, covering the period 2031-35³.

35 9(2)(f)(iv)

9(2)(h)

² 1 Mt CO₂-e equates to approximately 40,000 hectares of 31-year-old pine trees sequestering carbon for 1 year.

³ Each Party to the Paris Agreement is required to update their NDC every five years.

9(2)(h)

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9(2)(h)

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Implications of our climate priorities for the first emissions reduction plan

47 Our approach to decarbonisation is different from that of the previous administration. Our Government's priorities have resulted in halting work on a number of ERP1 actions, as laid out in table one in Appendix Four.

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9(2)(h)

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- 51 The most recent projections (reflecting policies at 1 July 2023) indicate New Zealand’s emissions will land within EB1. I am advised that while it is challenging to map the emissions impact of discontinuing specific policies on a line-by-line basis, it is anticipated that stopping work on these ERP1 policies will not affect our ability to land within EB1. We have more flexibility to manage any impacts on the second and third budget periods as we develop our next emissions reduction plan.
- 52 This assessment is based on projections outlined in Appendix Five⁴, and supporting analysis as outlined in the climate implications of the policy assessment section. Ministers will receive an updated estimate of the ‘sufficiency’ of our climate actions to support consultation on ERP2. The projections are produced annually and Ministers will receive a fully updated set in Q4.

Distributional impacts of climate policies also need specific consideration

- 53 Emissions reduction plans are required to contain a strategy to mitigate impacts that reducing emissions and increasing removals will have on employees, employers, regions, iwi, Māori, and wider community, including the funding for any mitigation action. For ERP1 this was, in large part, being met through the development of an Equitable Transitions Strategy. Work has stopped on development of the Equitable Transitions Strategy, 9(2)(f)(iv)

- 54 9(2)(h)

- 55 9(2)(f)(iv)

Delivery of ERP2 will set out the revised credible pathway to keep on track to meet emissions budgets and climate goals.

- 56 ERP2 will set out the Government’s updated policy pathway and plan to meet the second emissions budget (2026-2030). It will also respond to the Climate Change Commission’s advice regarding ERP2 (released December 2023) and will demonstrate how our approach to decarbonisation meets the statutory objectives, including the development of an effective distributional impacts strategy.
- 57 There is a key opportunity to mitigate the risks presented by discontinuing actions which could impact the overall sufficiency of actions to meet our climate targets, while giving effect to the Government’s wider priorities.

⁴ Based on economic, demographic, policy and methodological settings that were in place at 1 July 2023. The Ministry for the Environment updates these projections annually to reflect shifts in key variables (economic, demographic, policy and methodological changes)

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9(2)(h)

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I am seeking that Cabinet notes that work has stopped on these ERP1 actions, and notes that ERP1 will not be revised to remove them from the plan.

Work continues on the majority of adaptation actions.

Contextual note: The Government has consulted on formally amending ERP1 as part of the ERP2 consultation process.

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At the time NAP1 was developed, actions were considered current and consistent with proposed future work programmes. Over the course of a six-year cycle, it can be expected that some actions in NAP1 will adjust with changing context, as data quality improves, and climate driven hazards, risks, and impacts increase (in frequency and magnitude).

9(2)(f)(iv)

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From a good governance perspective, I consider it prudent for the Committee to consider discontinuation of actions in NAP1 alongside changes to ERP1. These are laid out in Table Two in Appendix Four.

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9(2)(f)(iv)

Financial Implications

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[BUDGET SENSITIVE] Funding that was attributed to discontinued work programmes has been reprioritised through Budget 2024 to reduce Crown expenditure, implement the 100-day plan, and prioritise Government commitments.

Legislative Implications

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The recommendations in this paper do not require decisions on legislation.

Impact Analysis

Climate Implications of Policy Assessment [In Development]

- 67 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirm that the CIPA requirements do not apply to this proposal as the actions being stopped (**Appendix 4**) either do not have a direct emissions impact or are difficult to quantify at this time.
- 68 The CIPA, although not strictly required, is attached at **Appendix 6**.

Population Implications

- 69 Proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993

Consultation

- 70 The following agencies were consulted on this Cabinet paper: Department of Internal Affairs; Department of Conservation; Ministry of Housing and Urban Development; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry of Business, Innovation and Employment; Te Waihanga; Ministry of Transport, Ministry of Primary Industries; National Emergency Management Agency; the Treasury; Te Puni Kokiri; Ministry of Social Development; and the Department of Prime Minister and Cabinet.
- 71 Crown Law have also been consulted on this Cabinet Paper.

Communications

- 72 No announcements are planned for the proposals in this Cabinet paper.

Proactive Release Contextual note for Paragraph 73: The proactive release did not happen as this Cabinet Paper did not proceed to Cabinet.

- 73 This paper will be proactively released alongside other forthcoming papers on the Government's climate work programme.

Recommendations

The Minister for Climate Change recommends that the Committee:

- 1 note the following domestic commitments in relation to climate change:
 - 1.1 The Climate Change Response Act (outlines the duty for the Minister of Climate Change to set and meet a system of legally binding emissions budgets to be met, as far as possible, through domestic reductions and domestic removals, with the view to achieving the 2050 target.

1.2  9(2)(h)

1.3 The Act also requires the Minister of Climate Change to develop and implement national adaptation plans to respond to each national climate change risk assessment.

2 note the following key international commitments in relation to climate change:

2.1 [Redacted] 9(2)(h) [Redacted]

[Redacted]

[Redacted]

[Redacted]

2.5 New Zealand's first NDC target is to reduce net emissions to 50 per cent below gross 2005 levels by 2030.

2.6 The second NDC must be set by February 2025.

3 [Redacted] 9(2)(h) [Redacted]

4 note that work has stopped on the following actions in the first emissions reduction plan (ERP1):

- 4.1 Action 3.2.1- Develop an equitable transition strategy
- 4.2 Action 6.10- Establish the Climate Emergency Response Fund (CERF) to ensure the climate is prioritised in the Budget process
- 4.3 Action 9.10- Commence a Circular Economy and Bioeconomy Strategy.
- 4.4 [Action 3.4- Equitable transition: Build the evidence base and monitor and assess impacts]
- 4.5 [Action 8.1.1- Establish a portfolio of Climate Innovation Platforms to support and coordinate strategic, effective and innovative initiatives.]
- 4.6 [Action 10.1.1.6- Require new investments for transport projects to demonstrate how they will contribute to emissions-reduction objectives and set a high threshold for approving new investments for any transport projects if they are inconsistent with emissions-reduction objectives.]
- 4.7 [Action 10.1.4- Establish a high threshold for new investments to expand roads, including new highway projects, if the expansion is inconsistent with emissions-related objectives.]

Contextual note: Square brackets indicate actions that were at the time of drafting still under consideration as to whether or not they would be discontinued.

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- 4.8 [Action 10.1.2- Revise Waka Kotahi’s national mode shift plan (keeping cities moving) to ensure nationally led activities align with the pace and scale of VKT reduction and mode-shift required in urban areas]
- 4.9 [Action 10.4.1- Ensure the next Government Policy Statement on Land Transport (GPS-LT) guides investment consistent with the emissions reduction plan]
- 4.10 [Action 11.2.2- Ban new fossil-fuel baseload generation.]
- 4.11 [Action 11.3.1- Manage the phase out of fossil gas. Develop a gas transition plan.]
- 4.12 [Action 11.4.1a- Develop a mandatory energy and emissions reporting scheme.]
- 4.13 [Action 11.5.1- Monitor progress towards the aspirational renewable electricity target.]
- 5 note that the majority of these actions have no direct impact on emissions and discontinuing them is not anticipated to affect our ability to land within the first emissions budget or materially affect future budgets.
- 6 note that ERP1 will not be updated through a standalone public consultation; and that delivery of ERP2 will set out the updated pathway to meet the second emissions budget, and set out the next steps to achieve future emission budgets.
- 7 note that work has stopped on the following actions in the first national adaptation plan (NAP1): **Contextual note: The Government has consulted on formally amending ERP1 as part of the ERP2 consultation process.**
- 7.1 Action 9.10- Implement an income insurance scheme to support adaptive capacity of communities and the economy.
- 7.2 Action 10.17- Support Māori small business resilience and transitions
- 8 note that the Government’s response to the Climate Change Commission’s report on NAP1 implementation and effectiveness in addressing risks will be a key opportunity to address any gaps in our adaptation response and ensure that climate impacts are being considered across broader policy priorities.

[Once the Minister has approved the draft Cabinet paper for lodgement for Cabinet or a Cabinet committee, this section should be updated to state ‘Authorised for lodgement’.]

Hon Simon Watts

Minister for Climate Change

Appendices

Appendix 1: Appendix fully withheld under section 9(2)(h)

Appendix 2: Appendix fully withheld under section 9(2)(h)

Appendix 3: Statutory Requirements: Emissions reduction and national adaptation plans.

Appendix 4: Discontinued actions from the first emissions reduction plan (ERP1) and the first national adaptation plan (NAP)

Appendix 5: Progress towards our emissions budgets

Appendix 6: Climate Impacts Policy Assessment

DRAFT

Appendix 3: The Climate Change Response Amendment Act lays out statutory requirements for emissions reduction and national adaptation plans.

The Climate Change Response Amendment Act requires that Emissions reduction plans contain the policies and strategies for meeting the relevant emissions budgets.

s5ZG(3) These plans must include:

- a) sector-specific policies to reduce emissions and increase removals
- b) a multi-sector strategy to meet emissions budgets and support sectors to adapt to effects of climate change
- c) a strategy to mitigate impacts that reducing emissions and increasing removals will have on employees, employers, regions, iwi, Māori, & wider community including the funding for any mitigation action.
- d) any other policies or strategies that the Minister considers necessary.

National adaptation plans respond to each national climate change risk assessment (NCCRA).

s5ZS(2) These plans must include:

- a) the Government's objectives for adapting to the effects of climate change; and
- b) the Government's strategies, policies, and proposals for meeting those objectives; and
- c) the time frames for implementing the strategies, policies, and proposals; and
- d) how the matters in paragraphs (a) to (c) address the most significant risks identified in the most recent national climate change risk assessment; and
- e) the measures and indicators that will enable regular monitoring of and reporting on the implementation of the strategies, policies, and proposals.

Appendix 4: Discontinued Actions from ERP1 and NAP1

Table 1: Discontinued ERP1 Discontinued through Ministerial decision as at 27 February 2024
(bracketed actions are still under discussion with Ministers)

Action Number	Discontinued Action	Responsible Minister(s)	Approximate Direct Abatement impact
3.2.1	Develop an equitable transition strategy	Minister for social development, Minister for economic and regional development	Nil direct abatement impact. Note discussions are underway with Ministers on the potential to transfer ownership of this work programme.
6.10	Establish the Climate Emergency Response Fund (CERF) to ensure the climate is prioritised in the Budget process	Minister of Finance	Nil direct abatement impact as future rounds of CERF funding have not yet been allocated so there is not net change in emissions. Initiatives already funded by CERF will proceed unaffected or have already locked in their emissions abatement impact. Note this action is complete, however there has been a redirection of CERF to other priorities.
9.10	Commence a Circular Economy and Bioeconomy Strategy.	Minister for Economic Development	Nil direct abatement impact.
<i>The following actions are still under discussion with Ministers</i>			
3.4	[Build the evidence base and monitor and assess impacts]	Minister for Social Development and Employment, Minister for Economic Development	Nil abatement impact.
8.1.1	[Establish a portfolio of Climate Innovation Platforms to support and coordinate strategic, effective and innovative initiatives.]	Minister of Science, Innovation and Technology	Nil direct abatement impact.
10.1.1.6	[Require new investments for transport projects to demonstrate how they will contribute to emissions-reduction objectives and set a high threshold for approving new investments for any transport projects if they are inconsistent with emissions-reduction objectives.]	Minister of Transport	(pending input)
10.1.4	[Establish a high threshold for new investments to expand roads, including new highway projects, if the expansion is inconsistent with emissions-related objectives.]	Minister of Transport	(pending input)

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10.1.2.	[Revise Waka Kotahi’s national mode shift plan (keeping cities moving) to ensure nationally led activities align with the pace and scale of VKT reduction and mode-shift required in urban areas]	Minister of Transport	(pending input)
10.4.1	[Ensure the next Government Policy Statement on Land Transport (GPS-LT) guides investment consistent with the emissions reduction plan]	Ministry of Transport	(pending input)
11.2.2	[Ban new fossil-fuel baseload generation.]	Minister for Energy	Officials consider This initiative is not likely to have an emissions reduction benefit. There is a low likelihood that generation developers will build new fossil fuel baseload due to its higher cost compared with renewables coupled with the ETS making fossil-fuel baseload generation less competitive. There are also uncertainties with future gas supply.
11.3.1	[Manage the phase out of fossil gas. Develop a gas transition plan.]	Minister for Energy	Nil direct abatement impact. Workstreams will continue under gas security of supply workplan.
11.4.1.a	[Develop a mandatory energy and emissions reporting scheme.]	Minister for Energy	Nil direct abatement impact.
11.5.1	[Monitor progress towards the aspirational renewable electricity target.]	Minister for Energy	Nil direct abatement impact.

Table 2 NAP1 Discontinued actions through Ministerial decision as at 27 February 2024

Action Number	Discontinued Action	Responsible Minister(s)	Impact of stopping
9.10	Implement an income insurance scheme to support adaptive capacity of communities and the economy	Minister for Social Development and Minister of Employment	Not a critical action as stated in NAP1.
10.17	Support Māori small business resilience and transitions	Minister for Māori Development, Minister for Regional Development, Minister for Economic Development	Not a critical action as stated in NAP1. Officials advise the outcome will be delivered through an alternative channel.

Appendix 5: Progress towards our emissions budgets

- 74 New Zealand is halfway through its first emissions budget (2022-2025) and implementation of its first emissions reduction plan. Our most recent estimates (based on mid- 2023 projections⁵) show that New Zealand is on track to stay within the limit of the first and second emissions budgets, but there is considerable uncertainty for the third emissions budget and our 2050 target.
- 75 Emissions for EB3 are projected to be between 203 Mt CO₂ and 264 Mt CO₂-e, (see Table 1 below). The top end of this range is above the third emissions budget limit of 240 Mt CO₂-e.
- 76 The risk to not meeting EB3 is heightened, as projections are highly uncertain, and likely to be overstated. The projections for the transport and energy sectors also assume a rising ETS price over time, which is unlikely to happen under current policy settings. As a result, the current projections are likely to overstate emissions reductions in the third emissions period.

Table 1: Emissions Projections as at 1 July 2023

	EB1 (2022- 2025)	EB2 (2026- 2030)	EB3 (2031- 2035)
Emissions Budgets (Mt CO ₂ -e)	290	305	240
Projected low and high range (Mt CO ₂ -e)	272-284	267-296	203-264
‘Buffer’ from central estimate (Mt CO₂-e and %)	13 (4%)	24 (8%)	7 (3%)

It is challenging to measure the risk reduction being delivered by adaptation action

- 77 New Zealand is twenty months into delivery of NAP1, and climate driven impacts are being felt. 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 related to Cyclone Gabrielle.

78 [REDACTED] 9(2)(f)(iv) [REDACTED]

[REDACTED]

⁵ These calculations are based on economic, demographic, policy and methodological settings that were in place at 1 July 2023. The Ministry for the Environment updates these projections annually to reflect shifts in key variables (economic, demographic, policy and methodological). Officials are modelling this Government’s policy priorities as part of Emissions Reduction Plan 2, to be published by the end of 2024.

Appendix 6: Climate Implications of Policy Assessment: Disclosure Sheet

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand's future emissions budgets.

Section 1: General information

General information	
Name/title of policy proposal or policy option:	Cabinet Paper: New Zealand's Climate Goals and Obligations
Agency responsible for the Cabinet paper:	Climate Change Interagency Executive Board Unit
Date finalised:	<i>29 February 2024</i>
Short description of the policy proposal:	The Minister of Climate Change is providing Cabinet with analysis on the impacts of stopping work on several actions in the first emissions reduction plan, to give effect to the Government's priorities. This analysis relates to actions that have not already been considered by Cabinet. Many of these actions are still under discussion with Minister. As this work progresses (e.g., through the Ministerial consultation process) and clarity emerges on which actions will be removed, the team will work with officials to evaluate the emissions impacts and disclose them to cabinet as necessary.

Section 2: Greenhouse gas emission impacts

Sector & source	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO ₂ -e)						Cumulative impact
	2020–25	2026–30	2031–35	2036–40	2041–45	2046–50	
Electricity	0	0	0	0	0	0	0
Transport	0	0	0	0	0	0	0
Industry	0	0	0	0	0	0	0
Waste	0	0	0	0	0	0	0
Agriculture	0	0	0	0	0	0	0
Land use, land use change and forestry	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

Section 3: Additional information

Additional information

Appendix 4 in the Cabinet Paper Climate Change Goals and Obligations lists out the actions this Government will likely discontinue, and their impacts. Some of these actions are still under active consideration by Ministers, and these are displayed in brackets.

At this stage, agencies advise that the removal of the majority of these actions is not anticipated to have a material or direct impact on the emissions reductions target of the first Emissions Reduction Budget (EB1). Most of these actions are only indirectly related to emissions reductions, such as developing a circular and bioeconomy strategy. Some actions appear to increase emissions, for example the removal of the ban on new fossil-fuel baseload generation. However, MBIE officials consider there is a low likelihood that generation developers will build new fossil fuel baseload due to its higher cost compared with renewables, coupled with the ETS making fossil-fuel baseload generation less competitive. There are also uncertainties with future gas supply and therefore removing this action is not likely to impact emissions, at least not over the EB1 period.

The delivery of the second emissions reduction plan (ERP2) in 2024 will set out the approach to achieving the necessary emissions reductions to deliver our second and third emissions budgets. To the extent that discontinuing these actions heighten the challenge of meeting future budgets, ERP2 will ensure these are met. Notably, this Government has introduced several new actions to address climate change mitigation and adaptation. These include doubling the supply of renewable energy; delivering 10,000 more public EV chargers; lowering agricultural emissions through a technology-led approach; restricting land-use conversions and increasing confidence in the forestry sector and forestry pricing. These are in the process of being implemented. The abatement potential of these new actions will be modelled in the coming months, as part of ERP2 development.

We note that while this CIPA is not strictly required, officials consider it is a useful framework for setting out these impacts in a consistent way to Cabinet.

9(2)(h)

Section 4: Quality assurance

Quality assurance

The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirm that the CIPA requirements do not apply to this proposal as the actions being stopped (**Appendix 4 of the Cabinet Paper**) either do not have a direct emissions impact or are difficult to quantify at this time.

At this stage, the removal of the majority of the policies is not anticipated to have a direct emissions abatement impact. Most of these actions are only indirectly related to emissions reductions, such as developing a circular and bioeconomy strategy. The CIPA team expects this assessment to evolve in response to these developments.