



Ministry for Primary Industries
Manatū Ahu Matua



To: Hon Todd McClay, Minister of Agriculture
Hon Simon Watts, Minister of Climate Change
From: Charlotte Denny, Director Natural Resources Policy, Ministry for Primary Industries
Sam Buckle, Deputy Secretary Climate Change Mitigation and Resource Efficiency,
Ministry for the Environment

Approval to lodge: Amending the Climate Change Response Act 2002 to repeal agricultural obligations in the NZ ETS

Date	21 March 2024	Reference	B24-0244 (MPI) BRF-4464 (MfE)
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Decision required	Date decision required by
YES <input checked="" type="checkbox"/> / NO <input type="checkbox"/>	21 March 2024

Purpose

- This briefing seeks your approval to lodge an updated draft Cabinet paper, ‘Final policy decisions on amending the Climate Change Response Act 2002 to repeal agricultural obligations in the New Zealand Emissions Trading Scheme’ (see **Appendix One**), on 21 March to ensure consideration at Economic Policy (ECO) Committee on 27 March, followed by Cabinet consideration on 2 April.

Key updates to the Cabinet paper

Methane Science and Target Review Update

- The date for the announcement of the methane science and targets review has been updated to “by 8 April 2024” to reflect the work that is underway in this space [B24-0230 / BRF-449 refers].

Removal of dates from actions

- To provide more flexibility, the Cabinet paper has been adjusted so that publication of the standardised methodology, and establishment of an agricultural emissions reduction advisory board (see paragraph 4c), are not associated with specific dates. Note this does not preclude you from signalling your timing preferences when making announcements.

Incorporation of Regulatory Impact Assessment Statement

3. The Regulatory Impact Assessment Statement (RIS) will be lodged with the Cabinet Paper. It achieved a 'partially meets' from the RIA panel. This is reflected in the Cabinet Paper along with feedback from the Quality Assurance panel.

Summary of Ministerial feedback

4. Between the 11 to 19 March, you consulted with Ministers on a draft Cabinet paper to support the Government's commitment to 'Keep agriculture out of the New Zealand Emissions Trading Scheme (NZ ETS)'. We are not aware of any feedback being provided on the paper by other Ministers. Changes have however been made to reflect feedback from the Minister of Agriculture's office, that is:
 - a) removing dates that did not align with introduction of the Bill to the house on June 2024;
 - b) edits to language to shift the focus from pricing, to reducing emissions;
 - c) updating the name of the 'agriculture emissions pricing board' to the 'agricultural emissions reduction advisory board'; and
 - d) 9(2)(f)(iv)

Parliamentary Council Office Feedback

5. 9(2)(h)

Next Steps

6. We recommend that you approve lodging the Cabinet paper (**Appendix One**) by 21 March 2024.
7. This will ensure that the Cabinet paper is ready for consideration by Economic Policy Committee on 27 March, followed by Cabinet on 2 April. We understand the Minister of Agriculture's office will lead on lodging.
8. To support your presentation of the item, talking points have been provided in **Appendix Two**. Officials can be available to attend ECO if required.

Recommendations

9. It is recommended that you:

- a) **Agree** to lodge the Cabinet paper (**Appendix One**) by Thursday 21 March for consideration at ECO Committee on 27 March, followed by Cabinet on 2 April.

YES / NO

- b) **Note** that talking points are attached at **Appendix Two**.

NOTED

Charlotte Denny
Director Natural Resources Policy
Ministry for Primary Industries

Hon Todd McClay
Minister of Agriculture

/ / 2024



Sam Buckle
Deputy Secretary Climate Change Mitigation
and Resource Efficiency
Ministry for the Environment

Hon Simon Watts
Minister of Climate Change

/ / 2024



Appendix One: Draft Cabinet paper Sub24-0028- Final policy decisions on amending the Climate Change Response Act 2002 to repeal agricultural obligations in the New Zealand Emissions Trading Scheme

Final Cabinet paper provided separately as Document 7

Appendix One: Regulatory Impact Statement

Appendix refused under section 18(d) as it is already publicly available

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Appendix Two: Talking Points

- We have committed to fair and sustainable pricing of agricultural emissions outside of the NZ ETS by 2030.
- Removing agriculture from the NZ ETS, via this repeal, is the first step in achieving our coalition and manifesto priorities in this area.
- It is important to pass legislation by 31 December 2024 to prevent NZ ETS obligations from coming into effect on 1 January 2025. If we do not amend the legislation by this time, processors will be required to pay for farm level emissions.
- Announcing this repeal is also an opportunity to signal our future intentions for agricultural emissions policy. It is important we do this to provide some more certainty for the sector and other stakeholders – and further demonstrate our commitment to action.
- As part of this, we expect to highlight the following key agricultural emissions actions:
 - reviewing the methane science and targets (the review will be announced by 8 April 2024);
 - establishing an agricultural emissions reduction advisory board;
 - publishing the standardised farm-level methodology;
 - commencing measurement of on-farm emissions in 2025, based on the published methodology;
 - investigate options to incentivise the uptake of mitigation technologies;
 - 9(2)(f)(iv)
 - introducing fair and sustainable system to reduce on-farm emissions, that reduces emissions without resulting in emissions leakage and sending production overseas.
- We will also take action to tidy up He Waka Eke Noa, which was set up under the previous Government – as it is time for a fresh start. We will come back to you with more detail on this, and what we plan to do instead, in due course.