



Aide memoire: CERF-funded Climate Initiatives

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Security level: Policy and Privacy

Actions sought from ministers	
<i>Name and position</i>	<i>Action sought</i>
To Hon Simon WATTS Minister of Climate Change	For noting only

Appendices and attachments
Appendix 1 – List of CERF-funded Climate Initiatives

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Clodagh Jolly	s 9(2)(a)	
General Manager	Arun Patel	022 013 2948	✓

CERF-funded Climate Initiatives

Purpose

1. To provide further information on CERF-funded Climate Initiatives in response to your specific questions on 20 March 2024.

Background

2. Following the Vote Environment Bilateral meeting with Minister Willis on 18 March, you have requested a list of the current CERF-funded Climate Initiatives which fall under your direct remit, including the forward years of funding, and highlighting any savings proposed through the current Budget process. This briefing provides this information.

Analysis

3. The table in Appendix 1 provides the list of current CERF-funded Climate Initiatives, the current approved baseline, and any savings offered as part of Budget 2024. Note the final distribution of savings across CERF initiatives will be finalised through the financial recommendations process.

Market governance

4. The Ministry has \$2.252m in CERF funding for market governance work. No savings have been proposed from this funding. In addition, there is \$34.3m over four years held in contingency to support actions that would increase the integrity of the ETS and reduce the risk of market misconduct. (Note this funding would potentially be shared across the five agencies involved: EPA, MBIE, FMA, MPI and MfE).
5. This funding was intended to fund a range of actions, including establishing a centralised exchange, market monitoring, compliance actions, publishing information about the NZU market, and necessary changes to the NZ ETS Register. The Register is a critical piece of ETS infrastructure; anyone who wants to buy or sell NZUs must have an account in the Register.
6. An initial draw-down in 2023 enabled the five agencies involved to commence the near-term work directed by the previous government. This aligns with the Government's signalling that the NZ ETS has a key role in the climate response, and the objective of ensuring credibility of the NZ ETS and market confidence for maximising its effectiveness.
7. Treasury officials have engaged with the Ministry to indicate they are unlikely to support retention of the contingency in the current fiscal context. § 9(2)(f)(iv) a portion of the contingency could be returned, we think it is critical to retain the balance to ensure there are appropriate mechanisms that enable the NZU market to operate well and to improve its integrity and efficiency. The Ministry has provided a response to the Treasury proposing a portion of the contingency funding be retained as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	Total over 4 years
Current contingency balance \$m	-	9.437	9.437	9.437	6.000	34.311
Retained \$m	-	3.000	6.000	6.000	6.000	21.000

8. Officials are available to discuss this advice with you.

IPET: Maximising Carbon Storage – Increasing Natural Sequestration to Achieve New Zealand's Future Carbon Goals

9. The aim of this initiative is to improve our evidence base and understanding of carbon sequestration in soils. Outcomes of this work will support policy choices for non-forest carbon sequestration.
10. A substantial portion of the funding for this year's contract was devoted to new field measurements of soil carbon in forests and wetlands. There were 24 natural forest plots identified as having previously been sampled for soil carbon that were also being sampled for biomass this year by Department of Conservation (DoC) field teams as part of the existing MOU between the Ministry and DoC. A combination of supplier availability for the sampling and negotiating access to plots on private land means that we currently estimate only half the sites will be able to be sampled this financial year. This will not provide sufficient level of data for our research so further sampling will need to be undertaken next financial year.
11. It is unlikely funding allocated for financial year 2024/25 will be able to absorb this additional cost because of the size of the work programme that remains to be delivered and the anticipated cost savings being proposed from this initiative in 2024/25. Therefore, an in-principle expense transfer of up to \$0.500 million from the current year 2023/24 to 2024/25 is being sought.

Signatures



Arun Patel
General Manager – Finance & Procurement

20 March 2024

Hon Simon WATTS
Minister of Climate Change

Date:



Appendix 1: List of current CERF-funded Climate Initiatives, approved baseline and savings offered as part of Budget 24

CFIS ID	Vote	Initiative	Appropriation	Category	Current approved CERF baseline per CFIS MBU 23/24				Savings offered					Commentary	Alignment with government priority
					2024/25	2025/26	2026/27	2027/28	Savings Initiative	2024/25	2025/26	2026/27	2027/28		
14055	Environment	Enabling a Scaled-up, High Quality Voluntary Carbon Market	Managing Climate Change in New Zealand	Departmental	744,000	744,000	744,000	744,000	Environment Baseline Savings - Climate Change	260,000	260,000	-	-	Savings are balance of available CERF funding in FY25 and FY26	N/A
14030	Environment	Maori Climate Action	Managing Climate Change in New Zealand	Departmental	3,258,000	3,258,000	3,258,000	3,258,000	Environment Baseline Savings - Climate Change	647,005	646,945	-	-	Savings are uncommitted costs in FY25 and FY26	N/A
14286	Environment	Emissions Reduction Plan Performance Monitoring	Climate Change Chief Executives Board	Departmental	4,132,000	4,132,000	4,132,000	4,132,000	Environment Baseline Savings - Climate Change	697,000	697,727	-	-	Savings are uncommitted costs in FY24 and FY25. From FY26 its not CERF funded and no savings have been offered.	N/A
14030	Environment	Maori Climate Action	Supporting Equitable Transitions and Climate Resilience for Maori	Non Departmental	6,000,000	10,000,000	10,000,000	10,000,000	Environment Baseline Savings - Climate Change	-	-	10,000,000	10,000,000	Outyear funding given up	N/A
14785	Environment	Climate Data Infrastructure	Managing Climate Change in New Zealand	Departmental	5,855,000	8,225,000	8,245,000	6,175,000	Environment Baseline Savings - Climate Change	1,100,000	1,100,000	1,800,000	1,800,000	Scaling of deliverables	Aligns with Priority 5 in Minister's Priority letter to the Prime Minister to improve the quality and accessibility of climate data by 2027, including projections of climate impacts, emissions, and evidence-based policies.
14051	Environment	Delivering New Zealand's International Climate Change Target Through Offshore Mitigation	Managing Climate Change in New Zealand	Departmental	2,349,000	2,484,000	2,484,000	2,484,000	Environment Baseline Savings - Climate Change	161,700	235,548	253,897	272,337	While savings have been proposed against these CERF funds, the Ministry intends to resource this work through other baseline funding to deliver on our NDC commitments and your priority to develop and implement a first NDC action plan.	Aligns with Priority 3 in Minister's Priorities letter to Develop and implement a plan to meet NDC1 commitment, and set NDC2.
14832	Environment	NZ ETS market governance	Managing Climate Change in New Zealand	Departmental	942,000	640,000	670,000		-	-	-	-	-	Note the contingency funding not drawn down	Aligns with Priority 3 in Minister's Priority letter to the Prime Minister to manage the ETS to provide a stable, predictable and increasing financial incentive for emissions reductions and removals.
14558	Environment	Maximising Carbon Storage: Increasing Natural Sequestration to Achieve New Zealand's Future Carbon Goals	Managing Climate Change in New Zealand	Departmental	2,234,000	2,235,000	2,235,000	2,235,000	-	-	-	-	-		
										2,865,705	2,940,220	12,053,897	12,072,337		