

Climate Change Commission final advice on the policy direction for the second emissions reduction plan

Date submitted: 1 December 2023

Tracking number: BRF-3941

Security level: CLASSIFICATION

MfE priority: Urgent

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	Agree table the Commission's advice before 12 December	5 December 2023
CC Hon Nicola Willis Associate Minister of Climate Change	Note the contents of this briefing	N/A

Actions for Minister's office staff
Following the Minister's meeting with officials on Monday, refer this briefing and a copy of the Climate Change Commission's advice on the policy direction to agreed Ministers. Work with officials to ensure the Commission's advice is tabled by 12 December. Return the signed briefing to the Ministry for the Environment (ministerials@mfe.govt.nz).

Appendices and attachments
1. Appendix 1: Talking points to support discussion
2. Appendix 2: Key messages from the Climate Change Commission's advice

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Freya Farrar		
Acting Manager	Daniel Rimmer		
Acting Director	Stephen Goodman	9(2)(a)	✓
Deputy Secretary	Sam Buckle		

Minister's comments

Climate Change Commission final advice on the policy direction for the second emissions reduction plan

Key messages

1. On 28 November, the Climate Change Commission (Commission) delivered its final advice to you on the policy direction for the second emissions reduction plan. The Commission provides the government with independent expert advice on climate change matters.
2. You are legally required to consider the Commission's advice when developing the second emissions reduction plan, which is due at the end of 2024.
3. Officials' initial view is that Commission's advice contains a number of recommendations that are well aligned with the Government's priorities (such as increasing renewable energy and addressing consenting barriers).
4. The Commission's advice also lays down several challenges for the Government to consider. For example, the Commission recommends being clear on how much New Zealand should rely on removing emissions from the atmosphere (mainly through forestry removals), and by contrast how fast the country should decarbonise the economy. Officials are still working through the advice and will advise you more fully in 2024.
5. You do not need to directly respond to the Commission's advice. However, there are two key near-term actions to address the delivery of this advice:
 - i *Presentation to the House of Representatives.* The Climate Change Response Act 2002 requires you to present the Commission's advice to the House of Representatives.¹ As Parliament will be in session within 10 days of you receiving the advice, this means that it must be tabled by 12 December.
 - ii *Preparing for media queries.* The advice of the Commission tends to attract significant interest. There are further factors that may draw additional attention for this advice.² You may need to respond to media queries when the advice is made public (which will be following tabling, or by the Commission if tabling is delayed).

¹ Climate Change Response Act 2002, section 5L(2)(a).

² The proximity of this advice to the formation of the Government may mean the media is focused on how Government priorities will align. The Conference of the Parties (COP 28) will be taking place from 30 November to 12 December, the advice will be public during or shortly after this. There is frequently more climate-focused media interest when a COP is underway.

6. Over 2024, officials will support you to lay out the Government’s climate priorities and approach in the second emissions reduction plan. Many sectors of the economy are involved in activity that reduces emissions. Therefore, a number of Ministers will need to work with you to make decisions on matters in their portfolios over 2024. We recommend that you refer the Commission’s advice to relevant Ministers ahead of it being made public.

Recommendations

We recommend that you:

- a. **note** that on 28 November 2023 you received the Climate Change Commission’s advice on the policy direction for the second emissions reduction plan
- b. **note** that, as the Minister of Climate Change, you must present the Commission’s advice to the House of Representatives as soon as is practicable once Parliament commences on 5 December 2023
- c. **agree** to table the Commission’s advice within 10 working days of you receiving it (12 December)

Yes | No

- d. **note** that this advice will be public after it is presented to the House of Representatives.
- e. **note** the need to take care in speaking about the Commission’s advice and avoid suggesting that decisions on the second emissions reduction plan have been taken prior to proper consideration of the Commission’s advice or public consultation on policy actions

- f. **note** that you may wish to forward this advice to other interested Ministers, you can discuss this with officials on Monday 4 December

Signatures

A handwritten signature in black ink, appearing to read 'Sam Buckle', enclosed in a thin black rectangular border.

Sam Buckle
Deputy Secretary
Climate Change Mitigation and
Resource Efficiency
1 December 2023

Hon Simon Watts
Minister of Climate Change

Date

Responding to the Climate Change Commission's final advice on the policy direction for the second emissions reduction plan

Purpose

7. The Climate Change Commission (the Commission) delivered its final advice on the second emissions reduction plan to you on 28 November 2023. This paper:
 - i. gives an initial summary of the advice
 - ii. supports near-term actions you need to take to present the report to the House of Representatives and respond to media interest.
8. We have attached talking points (Appendix 1).

The Commission's final advice

The Commission has now provided you with its final advice on the second emissions reduction plan

9. The Commission's final recommendations represent the actions the Commission considers necessary to achieve the second emissions budget and put New Zealand on track to achieve the third emissions budget (2031-2035) and the 2050 target.

Overview of the Commission's advice

10. We understand that the new Government is currently focused on delivering its 100-day plan. Top-level messages from the advice are set out in Appendix 2 to support your understanding of it prior to publication.
11. The Commission's advice includes recommendations that, if adopted, would have significant implications. In particular, the Commission's recommendation to set an explicit, challenging gross target is a significant departure from our current approach to climate mitigation, which is indifferent to whether climate targets are achieved through emissions reductions or removals (primarily from forestry).
12. The advice needs to be carefully assessed to understand the potential consequences of implementing the recommendations. This will be done as the second emissions reduction plan is developed, so Ministers can make informed decisions on how to address the advice in final policy decisions.
13. Officials will provide a more comprehensive view of the Commission's advice for you to consider as you progress work on the second emissions reduction plan.

In the near term, you will need to present the Commission's advice to the House

14. The Act requires that advice received from the Commission must be presented to the House of Representatives (tabled).³ The reasons for this include:

- i. *Legislated timeframes.* If Parliament is in session within 10 working days of the delivery of the advice, it must be tabled within those 10 working days.⁴ As Parliament will open on 5 December, this means the advice must be tabled by 12 December.
- ii. *Transparency.* The intent of the Act is to maintain transparency by ensuring the Commission's advice to the government is public. The process of tabling the advice makes it public.
- iii. *The Commission must make its advice public no later than 20 working days after delivering the advice.*⁵ We understand the Commission intends to publish the advice on 13 December on the basis you are required to table it by then.

15. You could table the advice as soon as 7 December, so as not to interfere with the operation of the NZ ETS auction on 6 December. We will work with your office to ensure the advice is tabled within the legislated timeframe.

The Commission's advice will be publicly released after it has been presented to the House

16. With COP 28 now underway until 12 December, the media is likely to have a heightened interest in climate change issues.

17. In general, the key risk to avoid is to be seen to have ruled out the advice without having given it due consideration. 9(2)(h)

18. We have prepared high-level talking points for you to welcome the Commission's advice (Appendix 1).

The second emissions reduction plan represents the Government's response to the Commission's advice

19. The second emissions reduction plan is due at the end of 2024 and is where you can fully consider the Commission's advice.

³ Climate Change Response Act 2002, section 5L.

⁴ Climate Change Response Act 2002, section 5L(2)(a).

⁵ Climate Change Response Act 2002, section 5L(3).

- 20. The second emissions reduction plan is also a place where you can lay out the Government’s climate agenda, and how you want to enable businesses, consumers, and other stakeholders across most sectors of the economy.
- 21. Producing an emissions reduction plan will require engagement with stakeholders in multiple sectors and will involve Ministerial decisions across multiple portfolios. For this reason, we recommend that you share this advice with relevant Ministers ahead of the advice being made public.
- 22. Agencies are prepared to support you and your colleagues to form an approach to the next emissions reduction plan. The Ministry proposes to advise you further on this in January as you set your priorities for your portfolio and confirm arrangements for governing the overall climate work programme.

9(2)(h) [Redacted]

[Redacted]

[Redacted]

[Redacted]

Next steps

26. Officials will work with your office to table the advice.

⁶ 9(2)(h) [Redacted]
⁷ 9(2)(h) [Redacted]

Appendix 1: Talking points to support discussion

1. The Government welcomes the Climate Change Commission's advice on the second emissions reduction plan.
2. The Commission outlines many areas of opportunity for New Zealand and the benefits of policies that decarbonise the economy, such as shifting from fossil fuels to electrification.
3. Our response to climate change must be a whole of economy one. It will require aligned work across businesses, consumers, and communities, as well as Government leadership.
4. The choices we make in this term of Government will have lasting impact on our economy, our environment, and our competitive advantage in a changing world.
5. Ministers and officials will now take the time to consider the Commission's report in detail.
6. The second emissions reduction plan, due to be published by the end of 2024, will represent the Government's response to the Commission's final advice.
7. It will include the Government's policy and strategies for meeting the second emissions budget (2026-2030) and put New Zealand on track to achieving its 2050 target.
8. Work on the plan has already begun and will be shaped by consideration of the Commission's advice, as well as what we hear through consultation next year.
9. Final decisions on the content of the emissions reduction plan will be made by the Government, not the Commission.

Appendix 2: Key messages from the Climate Change Commission's advice

Chapter	Key messages
The task ahead	<p>New Zealand's emissions are decreasing, but more action is needed across the economy</p> <p>The Commission is clear that while New Zealand's emissions are decreasing, further action is needed at all levels of government and across all sectors.</p> <p>The Commission stresses that this action also creates opportunities, including a healthier, more prosperous country, cleaner air, lower energy costs, new market opportunities and safer, more stable environments. It also assesses that investing in climate action now will save costs in the long-term.</p>
The path to net zero	<p>Clarify the extent to which you wish to reduce gross emissions (and rely on removals) will make New Zealand's climate change goals more achievable. These decisions will have a range of implications</p> <p>The Commission notes that Government has choices about the balance of gross emissions reductions (emissions reduced at the source) and carbon dioxide removals (primarily by forests) it will use to reach and sustain net zero long-lived greenhouse gases by 2050.</p> <p>It suggests that different choices will have different implications. For example, while forestry is currently a cost-effective option, a decision to rely heavily on removals will not be viable long-term and will also create risks, due to forests' vulnerability to events such as forests and floods. A decision to reduce gross emissions, on the other hand, may involve higher upfront costs in the short-term, but result in a number of benefits and opportunities (eg, new market opportunities, healthier homes).</p> <p>The Commission suggests that clarifying the preferred balance of gross reductions and removals can make New Zealand's climate goals more achievable and recommends that the Government:</p> <ul style="list-style-type: none">— Commit to specific levels of gross emissions and removals for the second and third emissions budgets and align policies to achieve or exceed those reductions.

- Communicate indicative levels of gross emissions and removals out to 2050 and beyond to guide policy decisions.
- Develop these committed and indicative levels in partnership with iwi/Māori.

Emissions pricing

Changes to the NZ ETS are needed to drive the Commission’s recommended levels of gross reductions

The Commission’s analysis shows that the current structure of the New Zealand Emissions Trading Scheme (NZ ETS) creates a strong incentive for planting trees. However, this also means that it is highly unlikely to drive the gross emissions reductions recommended by the Commission.

The Commission recommends that aligning the emissions pricing system with the desired levels of gross emissions for the second and third emissions budget, and with the net zero 2050 target, by:

- Amending the NZ ETS to separate the incentives for gross emissions reductions from those applying to forests.
- Providing durable incentives for forestry removals through to, and beyond, 2050.

Investment and finance

Remove barriers to mobilise public and private investment in the transition

The Commission identifies investment and finance as fundamental to emissions reductions in every sector and notes that investing in emissions reductions now will save costs in the long-term. However, it also notes that several barriers currently prevent the mobilisation of investment at the pace and scale required to meet emissions budgets and support climate resilience goals.

The Commission recommends that the Government reduces these barriers – including regulatory, institutional, and ownership barriers – to mobilise public and private investment required to meet emissions budgets. Its advice presents several options for the Government to consider.

Research, science, innovation and

Targeted investment, increased coordination and facilitation is needed to ensure the RSIT system supports New Zealand’s climate change goals

technology
(RSI&T)

The Commission notes that meeting emissions budgets will require accelerated transformation of New Zealand's RSI&T system, which provides knowledge and insights to develop new low emissions options that are domestically relevant and affordable. The RSI&T system can also make existing solutions more accessible across the country.

The Commission recommends that the Government provide adequate targeted investment and increased coordination and facilitate widespread sharing of freely available climate change data and information to enable an RSI&T system that supports achieving emissions budgets and the 2050 target.

Whāia ngā
tapuwae

Iwi and Māori have a key role in meeting New Zealand's climate change goals, and require appropriate funding and resources

To achieve a fair, equitable and inclusive transition for Māori, the Commission suggests that the Government should consider the role of iwi/Māori in the country's approach to reducing emissions as well as their specific, localised needs. This includes ensuring iwi/Māori are resourced and enabled to accelerate emissions reduction in accordance with tikanga and mātauranga Māori, while also realising the aspirations of their people and communities.

The Commission recommends that the Government:

- Introduce ways to directly allocate resources to iwi/Māori and augment funding to Māori landowners to enable them to accelerate emissions reductions and removals in accordance with their assessments and priorities.
- Ensure iwi/Māori are empowered to weave mātauranga Māori into policy design, development, and implementation at central and local government levels. This includes providing sufficient resources.

An equitable
transition

A comprehensive Equitable Transitions Strategy is critical to achieving a fair, equitable and inclusive transition and should be expanded to include adaptation

The Commission considers that the Equitable Transitions Strategy currently in development is critical to achieving a fair, inclusive and equitable transition and notes that its implementation is urgently needed to manage equity impacts in the second budget period.

The Commission specifically recommends that the Government:

- Expand the scope of the Equitable Transitions Strategy to include the impacts of climate change and adaptation as well as mitigation.
- Ensure that the Equitable Transitions Strategy provides a comprehensive response to manage equity during the transition to a low emissions economy.
- Manages the impacts of climate policies using existing policy levers in the period before the Equitable Transitions Strategy is implemented, rather than delaying climate action.

Sector-specific content

The Commission has also provided advice and recommendations on specific sectors, including:

- Agriculture
- Built environment
- Circular and bioeconomy
- Energy and industry
- Forests and other carbon stocks
- Transport
- Waste and fluorinated gases.

This content tends to have a more technical focus and will be analysed by officials across government as advice is put up in the coming weeks. We would note, however, the Commission's advice includes strong recommendations to reduce emissions within New Zealand's energy system and agriculture sector, which aligns closely with the Government's priorities and commitments for climate change.