



Briefing: Meeting with the Climate Change Commission 24 June 2024

Date submitted: 21 June 2024

Tracking number: BRF-4921

Sub Security level: In-Confidence

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS Minister of Climate Change	Read before meeting at 10am on Monday 24 June 2024	N/A

Actions for Minister's office staff
N/A

Appendices and attachments
1. The Climate Change Commission's 2024/25 forecast financial information (attached).
2. Financial performance summary table (contained within the briefing).

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Tiffany Vail		✓
Responsible Manager	Ngairi Best	9(2)(a)	
General Manager	Martin Workman	9(2)(a)	

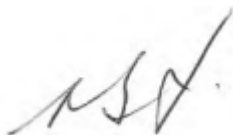
Minister's comments

Meeting with the Climate Change Commission 24 June 2024

Key messages

1. You are meeting with the Climate Change Commission (the Commission) at 10am on 24 June 2024. This meeting is an opportunity for you to discuss Government priorities, matters of significant contextual relevance, the Commission's service and financial performance, and challenges and opportunities.
2. This briefing provides you with background context and suggested talking points in an annotated agenda.
3. A copy of the Commission's revised draft budget for 2024/25 is attached as Appendix One, and a financial performance summary table is contained in Appendix Two.
4. The Commission attendees are:
 - Dr Rod Carr, Board Chair
 - Jo Hendy, Chief Executive
5. The Ministry for the Environment (the Ministry) attendee is:
 - Martin Workman, Chief of Staff, Office of the Chief Executive
 - Ngaire Best, Acting Manager, Governance, monitoring and appointments

Signature



PP Martin Workman
Chief of Staff
Office of the Chief Executive
Date: 21 June 2024

Meeting with the Climate Change Commission 24 June 2024

	Annotated Agenda
1.	<p>2024/25 Budget</p> <ul style="list-style-type: none"> • You met with Commission Chair, Dr Rod Carr and Chief Executive, Jo Hendy on 17 June 2024 to discuss the Commission’s draft budget for 2024/25. You outlined your expectation that the Commission deliver a break-even budget in 2024/25 and that the unspent funding received in 2023/24 for the agricultural emissions pricing function (\$2.339 million) be returned to the centre. • The Commission Board acknowledged your expectations and agreed to a revised draft budget for 2024/25 at its 19 June 2024 meeting. A copy of the budget is attached as Appendix One, and a summary table is contained in Appendix Two. • The Commission should have sufficient cash reserves to maintain operations once the agricultural emissions pricing funding is returned to the centre. However, the Commission’s overall liquidity will require close management. The Ministry and the Commission are working together to establish a suitable schedule of Crown funding payments that will address any liquidity issues in 2024/25. • Dr Carr has indicated his preference to receive the Commission’s full appropriation in one upfront payment. The Ministry is not supportive of this approach as it may have an impact on imprest supply. Another factor is the optics of the Commission having the ability to invest some or all of this funding and earn interest. • The Commission has advised that it has initiated an organisational restructure to ensure it remains financially sustainable into the future. As the majority of the Commission’s expenditure is on personnel, a lower staffing level will be required to reduce overall expenditure and ensure it can live within its means. • As you know, the Commission advised that it could face significant cost pressures in the coming year, such as costs for potential legal action related to its advice. At your request, Ministry and Commission officials will meet with Treasury officials to discuss options to manage cost pressures associated with legal action. We will update you on the outcome of this meeting. <ul style="list-style-type: none"> ➤ <i>You may wish to thank the Commission for its commitment to delivery of a break-even budget and live within its means.</i> ➤ <i>You could ask to be kept up to date on the Commission’s restructure process.</i> ➤ <i>You may wish to emphasise that any emergent financial risks or material variances against budget should be raised with you and the Ministry for the Environment as soon as they arise. Supplementary information to explain any risks and variances should also be included in quarterly reports.</i> ➤ <i>You could ask for any budget reforecast exercise undertaken during the year to be reflected in the Commission’s quarterly reporting.</i>
2.	<p>Request under Section 5K of the CCRA on New Zealand’s second nationally determined contribution (NDC2)</p> <ul style="list-style-type: none"> • On 17 June 2024 you agreed to revise the scope of the advice requested from the Commission under section 5K of the CCRA in relation to NDC2. A letter

	<p>was sent to Dr Carr on the same day to begin formal consultation on the draft Terms of Reference for the request.</p> <ul style="list-style-type: none"> • The revised scope seeks advice from the Commission on levels of domestic emissions reduction that could be feasible in the NDC2 period (2031-2035) under different long-term trajectories to 2050, including analysis of economic costs and wider impacts on households and the environment. • The advice will not cover broader aspects the Government will need to consider when setting NDC2, such as alignment with the 1.5°C temperature goal or the role of international cooperation. • The draft Terms of Reference propose delivery of the advice by 31 October 2024 at the latest. This is needed to support Cabinet decisions on NDC2 before the end of the year. • The draft Terms of Reference was discussed at the Commission’s Board meeting on 19 June 2024. In your letter to Dr Carr, you asked him to provide feedback on the Terms of Reference or indicate his acceptance in writing. <p>➤ <i>You may wish to ask whether the Terms of Reference are acceptable to the Commission, or whether there are any issues they wish to discuss.</i></p>
<p>3.</p>	<p>Update on consultation</p> <ul style="list-style-type: none"> • The Commission consulted on its 2050 Emissions Target Review, Emission Budget 4, and international shipping and aviation emissions projects simultaneously between 8 April and 31 May 2024 to make it easier for stakeholders to engage. Additional targeted engagement was undertaken with key stakeholders, iwi and Māori. • Submissions and feedback received are being analysed during quarter four 2023/24. Final advice on these projects is due by December 2024. • The Commission will update you on the outcome of the consultation and next steps.
<p>4.</p>	<p>Update on monitoring reports</p> <ul style="list-style-type: none"> • The Commission’s first annual monitoring report, which will assess progress towards meeting the 2050 target, the first emissions budget and the Emissions Reduction Plan (ERP), is due in mid-2024. Targeted engagement to support delivery of this report was completed during quarter three of 2023/24. • The Commission will provide its first progress report on the implementation, progress and effectiveness of the National Adaptation Plan (NAP) to you by August 2024. You are required to respond to this report within six months. During quarter three of 2023/24 the Commission completed targeted engagement to inform the final analysis and recommendations. • The Commission will undertake pre-release engagement on these reports to ensure stakeholders understand the Commission’s role, and how to interpret and use the monitoring information. The reports are being finalised during quarter four of 2023/24 and will be provided to you in quarter one of 2024/25. • Note the Commission has now shared the draft key findings from its emissions reduction monitoring report with you and officials from the Climate Change Chief Executives Board and the Ministry. • The Commission will update you on progress towards final delivery of these reports.

<p>4 (a)</p>	<p>Adaptation inquiry and framework</p> <ul style="list-style-type: none"> • On 15 April 2024, Cabinet agreed to initiate work on developing an adaptation framework that is enduring, joined-up and based on clear principles (CAB-24-MIN-0121 refers). This included agreement to the framework’s scope and the following four core workstreams. <ul style="list-style-type: none"> ○ Principles for investment in risk response. ○ Principles for cost-sharing pre-and-post event. ○ Roles and responsibilities. ○ Risk and response information sharing. • The adaptation framework also has linkages with other work programmes, including the NAP. The Ministry will use the Commission’s NAP progress report (see agenda item 5 above) as a tool to support the development of the adaptation framework. • On 9 May 2024, the House agreed to initiate an inquiry into adaptation, which is being conducted by the Finance and Expenditure Committee. The findings from this inquiry will inform the development of the adaptation framework. • Public submissions were called for between 23 May and 16 June 2024. The Commission provided a submission to the Committee that outlines two preliminary findings from its NAP progress report. <ul style="list-style-type: none"> ○ Clarifying roles, responsibilities and processes for planning and decision-making will help New Zealand appropriately respond to adaptation challenges and opportunities. ○ Clearly setting out how the costs of adaptation and climate-related losses will be shared, and how they will be paid for, will help enable New Zealand to adapt in a more efficient, fair and equitable way. <p>➤ <i>You may wish to ask for further information about the Commission’s submission and its views on the adaptation framework.</i></p>
<p>5.</p>	<p>Related panels: Methane panel and the panel to advise on agricultural emissions measurement, management and reduction</p> <p><u>Methane Review Panel</u></p> <ul style="list-style-type: none"> • The intention to set up a Methane Review Panel was announced in April 2024. Ministers intend to appoint four climate science experts (Laura Revell, Sara Mikaloff-Fletcher, David Frame and Bill Collins), plus a Chair (Nicola Shadbolt). Appointments are yet to be confirmed by the Appointments and Honours Committee and Cabinet. • The Terms of Reference is currently being finalised and will be agreed by yourself and Ministers McClay, Patterson, Hoggard and Willis. • The Panel’s work will include updating the scientific understanding of methane and identifying what a ‘no additional warming’ target would look like for New Zealand. It is expected that the Panel will submit its findings to you and Minister McClay by late 2024. <p>➤ <i>You may wish to note your view that the findings will be a useful addition to the evidence base alongside the Commission’s analysis and advice that covers a much wider range of other inputs and factors. It will help inform the Government’s response to the Commission’s advice on the 2050 target.</i></p>

	<p><u>Panel to advise on agricultural emissions measurement, management and reduction</u></p> <ul style="list-style-type: none">• The Ministry for Primary Industries is leading the work to set up and support this panel. We are not able to provide further information on this matter, and recommend this item is not discussed.
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Appendix Two – Financial performance summary table

	2023/24 Forecast \$m	2023/24 Budget \$m*	2024/25 Budget \$m
<i>Revenue</i>	18.568	18.433	16.153
<i>Expenses</i>	20.191	20.770	16.102
<i>Surplus/(deficit)</i>	(1.623)	(2.337)	0.051
<i>Equity</i>	3.903	3.391	2.215
<i>Cash</i>	3.408	3.352	2.044

*From 2023/24 Statement of Performance Expectations