

Chair
Cabinet Policy Committee

CLIMATE CHANGE : PLAN FOR CONSULTATION AND RELEASE OF DISCUSSION DOCUMENTS

Proposal

1 This paper is the third paper in a series of four on the ratification of the Kyoto Protocol. It:

- asks Cabinet to authorise the Ministerial Group on Climate Change to approve a discussion document
- sets out the approach to consultation on the ratification of the Kyoto Protocol and the domestic policy options for meeting Kyoto Protocol obligations
- sets out the process for Ministerial engagement with business
- seeks approval for additional funding for the two consultation phases and management of the consultation process

Background

2 On 3 September 2001, Cabinet agreed to adopting a staged approach to the ratification of the Kyoto Protocol and the development of domestic policy options, to provide sufficient opportunity for consultation and:

- noted that a formal decision on whether to ratify the Kyoto Protocol in early 2002 should take into account outcomes of consultation
- directed officials to report to the Cabinet Policy Committee by 5 October on:
 - the approach for policy development, including the initial consultation on policy objectives
 - the consultation documents, including the draft National Interest Analysis, to support consultation on the ratification legislation and the initial consultation on the policy objectives and options
 - a process for Ministers to engage with business on issues outlined in the paper

(CAB (01) 485 refers)

3 Cabinet had also previously agreed that officials should report back on the plan for further consultation with Maori as part of the series of papers setting out climate change policy and consultation after COP 6.5 (CAB (01) 190 refers).

4 There has not been any comprehensive consultation on domestic climate change policy with Maori, key stakeholder groups and the public at large since early 1999. The consultation on a "Policy Options Statement" did not result in the previous Government taking any detailed decisions. Neither did the previous consultation in 1996 on the report of the Working Group on CO₂. Both seemed to founder on the complexity of the issues, especially regarding the use of economic or "price signalling" policy instruments. However, the uncertainty of the international negotiations at the time was also seen as a reason to defer such decisions. This past experience points to the difficulties around consultation on the very complex issues that surround climate change policy.

5 While there has not been formal consultation since 1999 there has been a range of general and technical "dialogues" during 2000 and this year with a range of groups including Maori, local government, and business and industry groups – in particular large emitters, the forestry sector and the agriculture sector. However, a survey done earlier this year by UMR indicated relatively low levels of awareness among New Zealanders of climate change, and the implications of climate change policy.

Consultation Documents

6 Officials are working on a discussion document that addresses the two aspects of stage one consultation: Part I on the ratification of the Kyoto Protocol and the assessment of effects of Ratification, and Part II on the domestic policy options. It is recommended that Cabinet authorise the Ministerial Group on Climate Change to approve the final version of the consultation document, and any summary documents which are prepared from this document.

The Approach to Consultation

Subject of Consultation

7 The first phase of consultation on climate change is timed to start on 15 October when the discussion document will be released. As discussed in CAB (01) 485, meeting our obligations under the Kyoto Protocol requires three streams of work:

- The introduction of a National Interest Analysis on the impacts of ratification into Parliament, for review by Select Committee. Consultation on this will be around what people think about ratification and how they think that ratification will affect them. These views will be incorporated into the National Interest Analysis.
- The introduction of basic legislation for the ratification of the Kyoto Protocol (Act I). Consultation based on those elements of the legislation that may have some impact on the community, such as collection of information for the national inventory.
- The introduction of legislation setting out the domestic approaches to complying with the Protocol (Act II). Consultation for this legislation will focus on what people think about the domestic policy options available for meeting Kyoto Protocol obligations.

8 Consultation will take place in two phases. Phase I includes consultation on both ratification requirements and policy options from 15 October to 15 December 2001. Phase II will be focussed on the Government's preferred option, from 15 March to 15 May 2002.

Risks to the Consultation Process

9 There are a range of risks relating to both the process for ratification and the content of the consultation itself:

- Complex issues and questions need to be resolved, particularly relating to responsibility for emission units and sinks.
- There are significant long term economic implications, and decisions need to be made involving potentially billions of dollars worth of emissions units and sink credits
- There is a high level of international and public interest, including active campaigns by significant stakeholders on the issue
- While there is a high level of interest, there is a low level of understanding among a large number of stakeholders, particularly the public, about what climate change is and why the Government intends to ratify the Kyoto Protocol.
- The short timeframe available for consultation and the parallel approach to ratification legislation and the policy development process present a risk of opposition to ratification due to perceptions of policy uncertainty.
- The short timeframe also means that there is a risk that progress toward ratification may be challenged in select committee if the process is not perceived to be fair or sufficiently comprehensive.
- No National Interest Analysis (NIA) of the same size and significance has been prepared before.
- There is a need to effectively involve Maori in the consultation process – given the potential implications for Maori relating to domestic policy decisions.

10 In addition to the management of normal administrative and policy inputs into the consultation process, these issues will require close risk management and strategic oversight throughout both stages of the consultation process – both at a Ministerial level and an official level.

Objectives for Consultation

11 The risks set out above indicate that the forthcoming consultation process for climate change needs to be comprehensive and well managed. The key objectives for consultation are therefore as follows:

- a) To communicate Government's intentions, key messages and issues relating to ratification and the policy options clearly, so that there is a balanced, informed debate about the issues being consulted on.
- b) To ensure that stakeholders, particularly those directly affected by climate change policies, have adequate contact with Ministers during the consultation process.
- c) To ensure that consultation is as wide as possible while still meeting the deadlines for reporting back on the public consultation.
- d) To provide an opportunity for all interested stakeholders, including Maori, the general public, business and sector groups, environmental groups and local Government to help Government shape the domestic policy approach.
- e) To ensure that there is sufficient feedback from the community to enable the Government to confidently move ahead with the ratification of the Protocol by September 2002 and pass domestic policy legislation in 2003.

- f) To gain acceptance from key audiences that the government is managing the consultation responsibly and comprehensively.

Stage One Consultation

12 An indicative consultation approach and associated communications programme for the first phase of consultation is set out in annex one. Detailed planning for the approach is underway, and it is likely that as the planning progresses, and experience is gained through the consultation process, the approach will be modified particularly in the second phase of consultation.

13 The indicative consultation approach was developed after an assessment of the legal requirements for consultation on international agreements, and an assessment of the level of consultation required for all parts of society, particularly Maori and business.

14 The consultation approach set out in annex one contains the following features to ensure that the objectives for consultation are achieved:

- It contains a communications element so that there is a balanced, informed debate about the issues that will be consulted on.
- It covers a broad spectrum of stakeholders from the general public to specific groups with a particular interest in climate change.
- It allows for a significant level of Ministerial engagement with specific groups, and attendance at large events.
- It provides opportunities for groups with particular interests to discuss their concerns with officials and Ministers.
- It ensures that the views of people who would normally not attend meetings or make submissions are represented, through the use of public surveys.
- It contains a targeted Maori consultation element.
- It contains significant opportunities for business to engage in consultation.
- It covers all areas of New Zealand.

15 It is expected that stage II consultation in March - May 2002, which will focus on the Government's preferred domestic policy package, will follow a similar approach, but is likely to be modified after the experience of the first round. A final approach for stage II will be provided to Cabinet by March 2002.

Communications – Creating an Informed Debate

16 A number of the elements of the consultation plan are included to provide information to people, so they can participate in an informed debate about the issues that will be consulted on. For example, the 15 workshops for Maori will be largely targeted at providing information and initiating discussion and interest, while the two national Hui proposed will focus specifically on consultation.

17 In addition, a strong communications strategy is also necessary to deal with the day to day management of stakeholder concerns, particularly concerns that attract media attention. The communications strategy for the climate change programme will be updated as part of the planning process for consultation. The revised strategy will include key messages designed to ensure a balanced and informed debate during the consultation process.

Ministerial Engagement in the Consultation Process

18 Because of the nature of the issues that are being consulted on, Ministerial engagement in and leadership of the process is necessary to ensure that stakeholders feel that their views are reflected in the national interest analysis and the final domestic policy package. The approach set out in annex one includes the different ways that Ministers can take part in the process, including:

- Attendance at the formal events and meetings for consultation
- Targeted meetings with key stakeholders
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19 As part of the day to day communications for the consultation process, Ministers will also be invited to use speaking engagements to send key messages relating to consultation and ratification.

Maori Engagement

20 The approach to consultation has included a significant element of special engagement with the Maori Community, including at least 15 facilitated workshops throughout the country, and two national Hui. In each case attendees will be nominated by communities, and their travel will be subsidised

Management of the Consultation Process

Current Resources for Managing the Climate Change Consultation Process

21 For 2000/01 resources of about \$400,000 GST included were provided to the Ministry of Environment for the “whole of government” climate change consultation and communications. (*CBC Min (01)1/2 refers*). For 2001/02 a “whole of government” climate change budget bid for a similar amount was put up by MfE for consultation and communications. \$1.4m (GST incl) was allocated to Vote Environment for climate change in the 2001 Budget and this included funding “to contribute towards the preparation and communication of legal and economic aspects of the whole of Government initiative on climate change” [CAB Min (01) 12/6(18) refers. Of this total, about \$250,000 was originally budgeted by MfE for communications and consultation in 2001/2 but recent reprioritisation has meant this may be increased to about \$400,000.

22 In addition, MfE currently has one FTE for communications and 0.8 FTE for administration. MfE also covers the cost of one person already seconded to DPMC to assist in the co-ordination of the climate change programme, including co-ordination of the consultation work. Across government, many officials in the Climate Change Programme are involved to some degree in day-to-day communications and consultation efforts. Other departments have also budgeted smaller amounts for climate change consultation, largely travel costs for officials, and in some cases, costs for producing discussion and reference documents and other consultation-relevant items.

23 Because communications issues cross all government departments, for the past year DPMC has taken the lead role in co-ordinating an inter-departmental working group on communications and consultation. This group developed the climate change communication strategy approved by Cabinet last year, and provides feedback on drafts of communications products for the programme. More recently, the working group has been helping to develop the consultation plan. Apart from the

MfE member on the group, none of the members of the group deal with climate change communications and consultation full time.

Proposal for Management of Consultation: Formation of a Dedicated Consultation Management Team

24 The spread of communications and policy personnel across several departments has made it difficult to respond to stakeholder concerns in a co-ordinated, timely way. In addition, there is no person in the programme who has the capacity to manage such a significant consultation process full time. In order to ensure good management of the risks consultation, it is recommended that a dedicated consultation team be formed within DPMC. This team would need to be made up of:

- A consultation manager, experienced in substantial Government consultation processes.
- Two communications advisors
 - one communications advisor with a strategic focus to monitor the media and stakeholder environment and proactively address issues as they arise
 - one communications advisor with an operations focus to develop communications materials such as documents and advertising and assist the strategic advisor
- A consultation administrator, to organise events, personnel and resources, and to help manage queries from stakeholders
- Submissions analysts to produce the summary of submissions over the Christmas period and following the second round of consultation in June 2002.

25 This team can draw on some personnel already available within the Programme. However, it is likely that two new positions: the consultation manager and the strategic communications advisor will need to be created. Analysts can be contracted on a short-term basis to analyse submissions following the two consultation rounds.

Funding Requirements for Future Consultation

26 If no additional funding is available for consultation, then consultation will need to take place within existing baselines. To achieve a consultation process on the existing budget, there would be no consultation management team and the current, fragmented arrangements for management of consultation would remain in place. It would also mean a significantly reduced consultation and communication process than that outlined in annex one, focussing almost completely on consultation with key stakeholders rather than the public.

27 With the consultation budget limited to existing baselines, the Government runs a serious risk of not meeting expectations and confusing the community. It is highly likely that the deadline for ratification would not be met as the community may use the select committee process to raise concerns that they do not feel have been adequately dealt with in consultation.

Proposed New Budget

28 The budget for both stages of consultation and a consultation management team is set out below. In the development of the approach, thought has been given to the need to put together a consultation approach that is reasonably costed, while at the same time providing the community with sufficient opportunity to have their say on a matter which may have significant implications for the future. It is also important to ensure that Government meets its legal obligations.

Stage One Consultation

Sector workshops with key groups and carbon forum (facilitated by opinion leaders)	16,500
Information and other background material relating to consultation	65,000
Ministerial public meetings in four main centres	50,000
Production, printing and postage of consultation documents including schools programme	65,000
Website design and maintenance	7,500
Roadshow for 15 days (two teams of three officials + facilitators)	88,060
Maori workshops x 15 (incl. petrol vouchers for attendees)	38,500
National hui x 2 (including travel for participants)	60,000
Ministers meetings with key stakeholders	20,000
Ministerial	
Climate summits in three main centres	36,750
Public survey	<u>50,000</u>
	497,310

Stage Two Consultation

As above (less schools programme)	470,810
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Operational Costs for Consultation and Communications Support Centre for All of Government

Management, co-ordination and provision of consultation and communications advice, temporary submissions analysts	430,000
DPMC overhead for central co ordination team	302,000
Communications (advertising, printing, website upgrade, newsletter, translation etc)	<u>250,000</u>
	982,000

Total Budget (GST inclusive) **\$1.95 million**

Management of the Overall Climate Change Programme for the Ratification Process

29 This paper has focused largely on consultation needs, including the need for a dedicated consultation team to undertake climate change consultation. A question arises about the current structure of the whole of government climate change programme itself. This currently consists of up to 60 (full and part time) people

across 11 government departments coordinated by a team of two people within DPMC. Over the next year, officials will be expected to undertake a substantial consultation process and complete a significant amount of policy work (including the preferred policy approach, the introduction of legislation and the introduction of a national interest analysis).

30 Officials within DPMC, in consultation with other departments involved in the programme, are investigating the desirability and feasibility (including appropriate form) of establishing a centrally-based climate change project team by Christmas 2001 or other options for improving the functioning of the programme. Officials need to consider whether the creation of a dedicated project team to handle consultation, communications and further policy development would be superior to current structures or other possible options, and if so, the feasibility of a suitable team option. The project team option would require extra funding. Officials will report back to Cabinet on this issue, and any financial implications by 3 December 2001.

Consultation

31 The following departments have been consulted by the Department of Prime Minister and Cabinet in the preparation of this paper and agree with its recommendations: Ministry for the Environment, Ministry of Agriculture and Forestry, Ministry of Economic Development, Ministry of Foreign Affairs and Trade, the Treasury, Te Puni Kokiri, Ministry of Transport and the Ministry of Research, Science and Technology.

Financial Implications

32 As noted above, the Ministry for the Environment has held the consultation budget for climate change until now. As the estimate for consultation costs indicates, this budget did not take into account the need for two consultation phases in the space of a year, nor did it allow for the creation of a dedicated consultation team, including new personnel, within DPMC. Officials now believe that this approach is necessary to ensure an effective consultation process in the timeframe available. As outlined in paragraph 28, an estimated \$1.95 million will be needed over the next year for consultation and communications.

33 Departments in the Climate Change programme are able to absorb some of the total budget within their baselines. Specifically, departments will be able to cover the travel and accommodation costs of their staff during the consultation phase (expected to be approximately \$25,000 for each of the key departments MAF, MFE, MED, DPMC and MFAT, totaling \$125,000), and can provide some additional funding beyond this as follows:

- The Ministry for the Environment has allocated \$375,000 for climate change programme consultation and communications work. Of this amount, \$169,000 is committed to work already underway on elements of the consultation programme (such as background information, newsletters, consultation documents and new staff), leaving \$206,000 that can be contributed to the central pool
- The Ministry of Agriculture and Forestry can provide \$28,000
- The Ministry of Economic Development can provide \$28,000 as a result of reprioritisation
- MFAT can provide \$50,000

- DPMC can provide \$302,000 as overhead costs, accommodation, IT and some salaries to house the dedicated consultation team.

34 Other departments involved in climate change, including MoRST, Treasury, Transport and TPK do not have funding available other than travel and accommodation costs for climate change consultation within existing baselines. The costs for these departments has not been factored into the overall budget.

35 This means that, of the total budget of \$1.95 million

- \$125,000 will be retained by key departments to cover travel and accommodation costs
- \$169,000 will remain with MfE to cover work already underway on consultation
- \$302,000 can be provided from within DPMC baselines
- \$312,000 is available from within existing departmental baselines to be transferred to Vote: Prime Minister and Cabinet centrally managed consultation team within DPMC, for the 2001/02 year only.

36 Total new funding sought for climate change consultation is therefore \$1.042 million for 2001/02 only for Vote: Prime Minister and Cabinet.

37 As noted above, the formation of a centrally based full climate change project team (comprising all key officials, not just consultation personnel) would have fiscal implications. The report-back on whether to proceed with establishing a project team will also discuss the financial implications of such a move.

Recommendations

38 It is recommended that the Cabinet Policy Committee:

- a) **note** that consultation on ratification of the Kyoto Protocol and the domestic policy options for meeting Protocol obligations is timed to take place between 15 October-15 December 2001. A second round will take place between 15 March and 15 May 2002.
- b) **authorise** the Ministerial Group on Climate Change to approve the consultation document for stage one consultation, and any summary documents which are prepared from this document, by round robin or otherwise.
- c) **note** the approach for consultation as set out in Annex one of this paper
- d) **that** the approach includes a strong communications element, to ensure that there is a balanced, informed debate during the consultation process
- e) **note** that previous consultation processes have not achieved the desired outcomes and, because of the risks involved, there is a critical need for ministerial engagement in and leadership of the consultation process
- f) **agree** that because the climate change consultation is expected to present a number of risks and challenges, a dedicated management team for consultation, operating from within the Department of Prime Minister and Cabinet, will be needed to manage the process of consultation.

- g) **note** that additional funding will be required to set up the consultation team and undertake both the consultation phases' consultation programme of \$1.95 million. Departments involved in the climate change programme are able to provide \$908,000 of this from within existing baselines, leaving a shortfall of \$1.042 million.
- h) **agree** to increase funding for Climate Change: Consultation and Communications as set out below with the following impact on the Government's operating provisions:

	All figures are \$m, GST inclusive				
	2001/02	2002/03	2003/04	2004/05	Outyears
Operating provisions	1.354	-	-	-	-
Less fiscally neutral transfers	0.312	-	-	-	-
Total operating impact	1.042	-	-	-	-

- i) **approve** the establishment of "Climate Change: Consultation and Communication" as a departmental output class within Vote Prime Minister and Cabinet from 2001/02.
- j) **approve** the following changes to appropriations for Climate Change: Consultation and communication:

<i>(all departmental output classes)</i>	\$m – increase/(decrease)					GST
	2001/02	2002/03	2003/04	2004/05	Outyears	
Vote: Prime Minister and Cabinet.						
Policy Advice and Secretariat and Coordination Services	1.354	-	-	-	-	Incl
Vote: Agriculture and Forestry						
Agriculture and Forestry Policy Advice	(0.028)	-	-	-	-	Incl
Vote: Energy						
Policy Advice on Energy and Resource Issues	(0.028)	-	-	-	-	Incl
Vote: Environment						
Environmental Policy Advice	(0.206)	-	-	-	-	Incl
Vote: Foreign Affairs and Trade						
Policy Advice and Representation: international organisations	(0.050)	-	-	-	-	Incl
all funded by revenue Crown						

k) **agree** that the increases in appropriations in 2001/02 above be included in the 2001/02 Supplementary Estimates and that, in the interim, these expenses be met from Imprest Supply;

l) **note** that officials within DPMC, in consultation with other departments involved in the programme, are investigating the desirability and feasibility (including appropriate form) of a centrally based climate change project team by Christmas 2001, comprising all of the key officials in the programme (currently totaling about 30).

m) **agree** that the Convenor of the Ministerial Group on Climate Change will report back to Cabinet by 3 December 2001 on the issue of the possible creation of a centrally based interdepartmental project team for the remainder of the ratification process, or other options, including any financial implications.

Hon Pete Hodgson
Convenor, Ministerial Group on Climate Change

Annex One: Approach and budget for the climate change consultation process

The following is a list of the key events scheduled for round one of the consultation. Timing of these events is still to be determined and is dependent on the availability of officials and Ministers:

- Public meetings in Dunedin, Christchurch, Wellington and Auckland led by Ministers
- Working groups with key sector groups facilitated by opinion leaders or independent experts
- Facilitated Maori workshops throughout the country
- Carbon Forum with major business and industry groups in Wellington on 25 October
- National roadshow led by teams of key opinion leaders or independent experts supported by officials. Public meetings in the evenings; meetings with stakeholder groups including businesses and/or local opinion leaders during the afternoons
- Meetings between Ministers and key stakeholders groups on request, including meetings with key Maori
- Major climate change summits bringing together all stakeholders to express views to Ministers
- Two national hui (Christchurch and Auckland or Rotorua) with attendees nominated by local communities in the region. Representatives to be offered travel and accommodation costs.
- Public survey on key questions (including feedback on consultation process)

Many of these elements are targeted at informing stakeholders about the issues being consulted on so they can take part in the debate. In addition, a communications plan around consultation is also under development, including:

- Proactive communication of key messages and response to stakeholder concerns
- All material on the climate change website
- Monthly Climatewise newsletters.
- Package of background material on climate change and the process of ratification
- Promotional material, including advertising, invitations, posters, flyers etc...
- Liaison with key media
- Provision for translation into Maori as necessary