



**Commercial: Sensitive**

# Cabinet Policy Committee

**POL Min (02) 21/12**

Copy No:

## Minute of Decision

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### **Climate Change: Negotiated Greenhouse Agreements (NGAs)**

On 4 December 2002 the Cabinet Policy Committee:

- 1 **noted** that Negotiated Greenhouse Agreements (NGA) are a key component of the climate change policy package;
- 2 **noted** that in October 2002 Cabinet directed officials to report back by 30 November 2002 on the institutional arrangements for the NGAs and final competitiveness-at-risk criteria for determining whether a firm is eligible to negotiate an NGA and the process for this [CAB Min (02) 26/18];

#### **At-risk criteria**

- 3 **noted** the proposed five step approach (see Figure 1 of the paper under POL (02) 210 ) to assessing at-risk status;
- 4 **noted** that the at-risk criteria are likely to attract significant attention from stakeholders, particularly on the thresholds;
- 5 **noted** that flexibility and judgement will be required in applying the at-risk criteria;
- 6 **directed** officials to consult with stakeholders on the proposed approach and report to the Cabinet Policy Committee (POL) with confirmed at-risk assessment criteria by 28 February 2003;

#### **Process for applying the criteria**

- 7 **agreed** that the Climate Change Office be responsible for collecting the information for at-risk assessments, application of criteria, and recommendation on status;
- 8 **agreed** that the Minister of Finance and the Convenor, Ministerial Group on Climate Change be given the authority to decide whether a firm or industry qualifies for at-risk status, with the power to delegate that authority as appropriate;
- 9 **noted** that officials will work further with the Crown Law Office in developing the process for applying the criteria to minimise any legal risks as details of the process are developed;

- 10 **agreed** for the purposes of consultation that:
- 10.1 there be no explicit cut off date at this time for application for at-risk status;
  - 10.2 applicants will contribute to all or a substantial part of the Government's assessment costs (excluding the salaries of officials) and pay their own costs associated with the assessment (including the provision of information);
- 11 **directed** officials to report to POL by 28 February 2003 with a confirmed process for applying the criteria and with an assessment of proposed approaches for new entrants;

### **Negotiated Greenhouse agreements**

- 12 **agreed**, for the purposes of consultation, that:
- 12.1 world's best practice emissions intensity would be determined by an independent expert agreed by both parties to the negotiation;
  - 12.2 the agreement would set out a pathway for moving from current emissions intensity to best practice, adapted to New Zealand conditions, within a defined period of time. Milestones/targets will be established along this pathway;
  - 12.3 the firm or industry will be required to report on progress towards targets annually with elements of these reports made public. Independent verification of progress would occur at a minimum in 2005, 2007, 2010 and 2012 with penalties for failing to meet targets at each of these reviews;
  - 12.4 flexibility provisions such as an emissions charge on excess emissions or trading of over and under achievement will be included in an agreement to contribute towards target achievement;
  - 12.5 the level of exemption from the emissions charge, emissions targets and where appropriate penalties for not meeting emissions targets will be agreed by negotiation based on the particular circumstances of the individual firms or industries;
  - 12.6 applicants will be responsible for all additional (i.e. non-departmental personnel and administration) costs to the Crown of negotiating NGAs, their own costs, and the costs of establishing emissions baselines and world's best practice;
- 13 **directed** officials to report to POL by 28 February 2003 with a final NGA model including unresolved issues such as flexibility mechanisms;
- 14 **noted** that there is likely to be pressure from NGA participants for the Government to provide certainty that the emissions charge will be implemented in future and that there will be legal provisions to provide relief for firms who have negotiated agreements;
- 15 **noted** that officials will work further with the Crown Law Office in developing the process for negotiating agreements to minimise any legal risks as details of the process are developed;

## Process for negotiating agreements

- 16 **agreed** that negotiations will be led by the Climate Change Office with support as required from the Energy Efficiency Conservation Authority (EECA), the Treasury and the Ministries for Economic Development, Environment and Agriculture and Forestry and Te Puni Kokiri;
- 17 **agreed** that the Minister of Finance and the Convenor, Ministerial Group on Climate Change be delegated authority to finalise and sign NGAs on behalf of the Crown;
- 18 **noted** that the Climate Change Office and other departments will submit bids in the 2003 Budget round to cover the costs of undertaking competitiveness at risk assessments and negotiating NGAs;
- 19 *[Information withheld under s9(2)(b)(ii), s9(2)(g)(i) and 9(2)(j) of the Official Information Act 1982]*
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## Consultation

- 23 **directed** the Convenor, Ministerial Group on Climate Change to prepare and release a discussion document consistent with the content of the paper under POL (02) 210 for the purpose of targeted stakeholder consultation;
- 24 **noted** that the Convenor, Ministerial Group on Climate Change indicates that caucus consultation and consultation with other parliamentary parties is not required.

Hamish Finlay  
Secretary

Reference: POL (02) 210

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Copies to: (see over)

**Present:**

Rt Hon Helen Clark (Chair)  
Hon Dr Michael Cullen  
Hon Jim Anderton  
Hon Steve Maharey  
Hon Phil Goff  
Hon Annette King  
Hon Trevor Mallard  
Hon Pete Hodgson  
Hon Margaret Wilson  
Hon Parekura Horomia  
Hon Lianne Dalziel  
Hon Mark Burton (part of item)  
Hon Paul Swain  
Hon Marian Hobbs  
Hon John Tamihere

**Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet

**Copies to:**

Cabinet Policy Committee  
Chief Executive, DPMC  
    Mary Anne Thompson, DPMC  
    Director, Climate Change Project, DPMC  
Secretary to the Treasury  
    Commissioner of Inland Revenue  
Chief Executive, Ministry of Economic Development  
Secretary of Foreign Affairs and Trade  
Director-General, Ministry of Agriculture and Forestry  
State Services Commissioner  
Chief Executive, Ministry of Research, Science and Technology  
    Secretary for the Environment (Energy Efficiency Conservation Authority)  
Solicitor-General  
Chief Executive, Te Puni Kokiri  
Minister of Transport  
    Secretary for Transport  
Minister for the Environment  
    Secretary for the Environment  
Minister of Conservation  
    Director-General of Conservation  
Associate Minister of Energy (Hon Harry Duynhoven)