



Proposed policy framework and timeframes for agriculture and climate change policy decisions in 2019

Date Submitted:		MFE: 2019-B-05240	MPI: B19-0035
Security Level	In confidence	MfE Priority:	Urgent

	Action sought:	Response by:
To Hon James Shaw, Minister for Climate Change Hon Damien O'Connor, Minister of Agriculture	For discussion with official in early February, the exact day and time to be confirmed by your office	
CC Hon Grant Robertson, Minister of Finance Hon Shane Jones, Minister of Forestry	For consideration	

Actions for Minister's Office Staff	Return the signed report to MfE and MPI
Number of Attachments: 2	Titles of attachments: <ol style="list-style-type: none"> Appendix 1 – Overview of the policy framework and decisions <i>note: (please print single-sided)</i> Appendix 2 – Proposed timeframes for briefing you on key matters in advance of the Interim Committee's report, and the process to getting to decisions thereafter.
Note any feedback on the quality of the report	

Ministry for the Environment and Ministry for Primary Industries contacts

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Proposed policy framework and timeframes for agriculture and climate change policy decisions needed in 2019

1. This briefing provides information for your meeting with officials in early February, the exact day and time to be confirmed by your office. This meeting will focus on:
 - a. the proposed policy framework and key decisions the Government will need to make on agricultural climate change policies (Appendix 1).
 - b. a view of the year ahead, including how our work fits in with the timing of other key climate change policy milestones and timing challenges (Appendix 2).

Appendix 1 provides an overview of:

- a. *The draft objectives and criteria for analysing policy options* – these have been interpreted by officials in line with the three pillars of the All-of-Government Framework for Climate Change
 - b. Our initial description of the available policy levers (both pricing and non-pricing mechanisms) for agricultural greenhouse gas mitigation.
 - c. Key considerations across these policy options (e.g. agricultural allocation).
2. Appendix 1 shows that there are a lot of decisions that will need to be made, regardless of the primary policy mechanism the Government chooses.

The timeframes for delivering policy decisions are challenging

3. In October 2018, we briefed you on the proposed agriculture and climate change work programme for 2018-2019 [2018-B-04990 (MfE), B18-0801 (MPI) refers]. Officials noted that the Government will only have a matter of weeks to respond to the Interim Climate Change Committee's (Interim Committee) recommendations on how obligations for agricultural emissions could best be arranged under the New Zealand Emissions Trading Scheme (NZ ETS).
4. The Government will be required to make a number of complex decisions that could have significant implications for the primary sector and iwi/Māori, and will need to make these decisions on accelerated timeframes. It is therefore important that we start to engage with those who are affected and give them the opportunity to consider and have their say on the different options.
5. Following the Interim Committee's report, the Government will have around two months to arrive at final policy decisions (including two weeks of public consultation). This is a short period to consider complex and significant policy. Appendix 2 provides more detail around the work programme from May to July 2019, during which time the Government will need to make decisions in response to the Interim Committee's report.
6. The reasons for these compressed timeframes are:
 - a. Formal advice on policy options are better provided after the Interim Committee has issued its report. To do so earlier would undermine their role.
 - b. You have indicated that any resulting legislation (e.g. CCRA amendment bill) should be completed by December this year.
 - c. You have also been clear that our aim is to give the Select Committee the maximum time possible to consider and consult on agricultural policies.
 - d. We expect Select Committee will start considering the CCRA amendment bill in early July.

7. To help you make informed decisions quickly, we will use the next three months to bring you up to speed on the background for the decisions you will need to make. Figure 1 details when we plan to brief you on different aspects of the policy decisions to be made.

Figure 1: Timeframes for providing Ministers advice on agriculture issues, Feb – May 2019

	FEBRUARY	MARCH	APRIL	MAY
Pricing options (incl. point of obligation)		★		Assess the Interim Committee's recommendations
Hypothecation and agricultural allocation		★		
Non-price options (incl. point of obligation)		★		
Economic modelling on policies to reduce agricultural emissions		Update	Update	Decision: Release modelling results?
Estimating emissions			★	
Compliance and enforcement			★	
Enabling policies			★	
Engagement	★	Decision: What is the structure of the focused consultation?		Focused Consultation

★ For discussion at monthly meeting

Stakeholder involvement in the policy process

8. Appendix 2 provides an overview of:
- The timeframe of the agriculture and climate change work programme with other key climate change work programmes (i.e. CCRA amendments, Climate Change Bill) as well the Interim Committee.
 - The proposed approach once the Interim Committee provides its report from April to July.
9. Appendix 2 only focuses on climate change policies. It is important to note that during the highlighted timeframes there will also be stakeholder engagement occurring on other policies such as water and biodiversity.
10. These timeframes present risks to our stakeholder engagement as it limits the ability for stakeholders to input into policy recommendations. For example, our fast track policy approach is unlikely to align with the expectations that farmers, iwi/Māori, stakeholders and the public have about their ability to engage and influence the policy process (see Appendix 2).
11. Cabinet made an in-principle decision to amend the Interim Committee terms of reference so that they would provide not only evidence and analysis but also recommendations on

agricultural matters. The reason for the changes to the role of the Interim Committee is to enable time for the Government to consider its options, make decisions and enact any legislative amendments (likely through the Climate Change Response Act) as part of its 2019 legislative programme. We are advising on steps to be taken to communicate this change to the terms of reference. We advise that the communication of this change be acted upon urgently.

12. We have told some sector stakeholders, in confidence, about the expected timeframes for this policy work. However, they are unable to help us manage the expectations of their constituents, as we have asked them to keep the proposed process confidential until final decisions are made and these are publicly announced.
13. We are keenly aware of the need to engage with iwi/Māori. At a hui in December 2018, iwi/Māori representatives stressed a number of frustrations with the engagement processes for the climate change reforms, including the Climate Change Bill, and amendments to the NZ ETS. Their concerns included the lack of time to consider the implications of the proposals and consult with their whānau, and a lack of communication about the process and how their input would influence policy recommendations.
14. Iwi/Māori will be critical partners in the development of agricultural climate change policies. They have a strong connection to the land and large agri-business interests. Some policies could also have material effects on the value of outstanding Treaty settlements. We know that the Interim Committee is doing work on the potential impacts of policies on iwi/Māori.
15. Our key challenges to effective and meaningful engagement with iwi/Māori are:
 - a. the limited time officials have to consult with iwi/Māori after the Interim Committee's report is released;
 - b. restricted ability to talk openly about the proposed policy process and timeframes; and
 - c. uncertainty around the potential impacts of policy options, as these have not yet been evaluated.
16. Given these timeframes, Cabinet previously agreed for officials to engage with stakeholders before the Interim Committee's report is released. We expect to start engaging with stakeholders, including iwi/Māori, and sector organisations, from early February. We will brief you on our stakeholder engagement plan in shortly, including when we expect key meetings to occur.
17. Another risk of the timeframe is the effect it has on the Regulatory Impact Assessment (RIA). The Treasury's RIA team advises that effective consultation will be important to quantify as many benefits and costs as possible, along with identifying any implementation issues with different options. Two to three weeks is a very short period for the public, iwi/Māori, and industry to understand and meaningfully submit on the proposals prior to Cabinet's decisions. Such limited consultation would make it hard to be confident that final proposals presented to Cabinet are the ones the best meet Government's objectives, and significantly increase the risk that the RIA does not meet Cabinet's quality assurance criteria. The Treasury recommends a consultation period closer to the standard minimum of six weeks.
18. We will work with the Treasury and the Interim Committee to mitigate this risk. One option is that the Interim Committee could make their analysis available to the Treasury in advance of their report being completed. This would enable the Treasury time to assess the evaluation framework the Interim Committee has used.
19. Treasury reviewed MfE's emissions trading scheme RIAs in late 2018. It determined that 10 out of 11 met, and only one partially met, the quality assurance criteria. No RIA received

a “does not meets” rating. The Treasury considers that a very good discussion document and consultation process was a big contributor to this outcome.

Next Steps

20. Meet with officials in early February (the exact day and time to be confirmed by your office) to discuss:

- any questions you have about the information provided in this briefing;
- timeframes for getting Government decisions into the Climate Change Response Act (2002) Amendment Bill process;
- progress in getting a final decision on the change in the role of the Interim Committee; and
- communicating the proposed policy process to our stakeholders, including iwi/Māori.

PROACTIVELY RELEASED

Recommendations

21. We recommend that you:

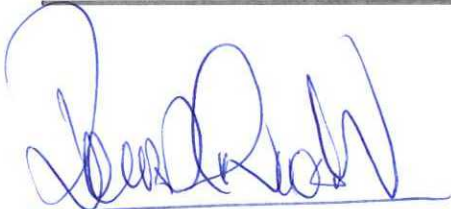
a. **Note** that the decisions required must be made faster than they would under a 'normal' policy process

Yes/No

b. **Note** that the decisions are complex and could have significant implications for the primary sector and iwi/Maori

Yes/No

Signature



Roger Lincoln
Director, Climate Change
Ministry for the Environment

Date

29/01/19



Charlotte Denny
Director, Environment and Communities
Ministry for Primary Industries

Date

29/01/19

Hon James Shaw
Minister for Climate Change

Date

Hon Damian O'Connor
Minister of Agriculture

Date

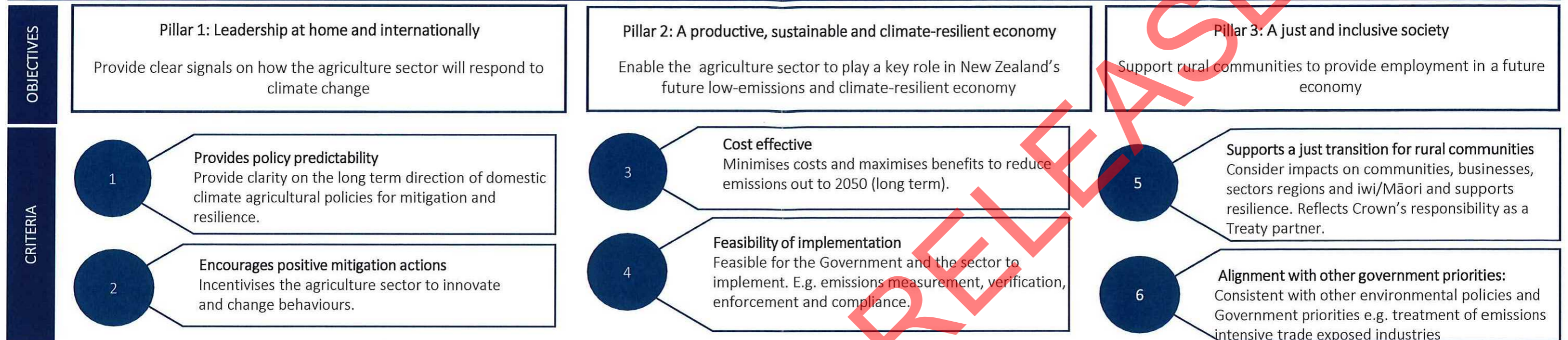
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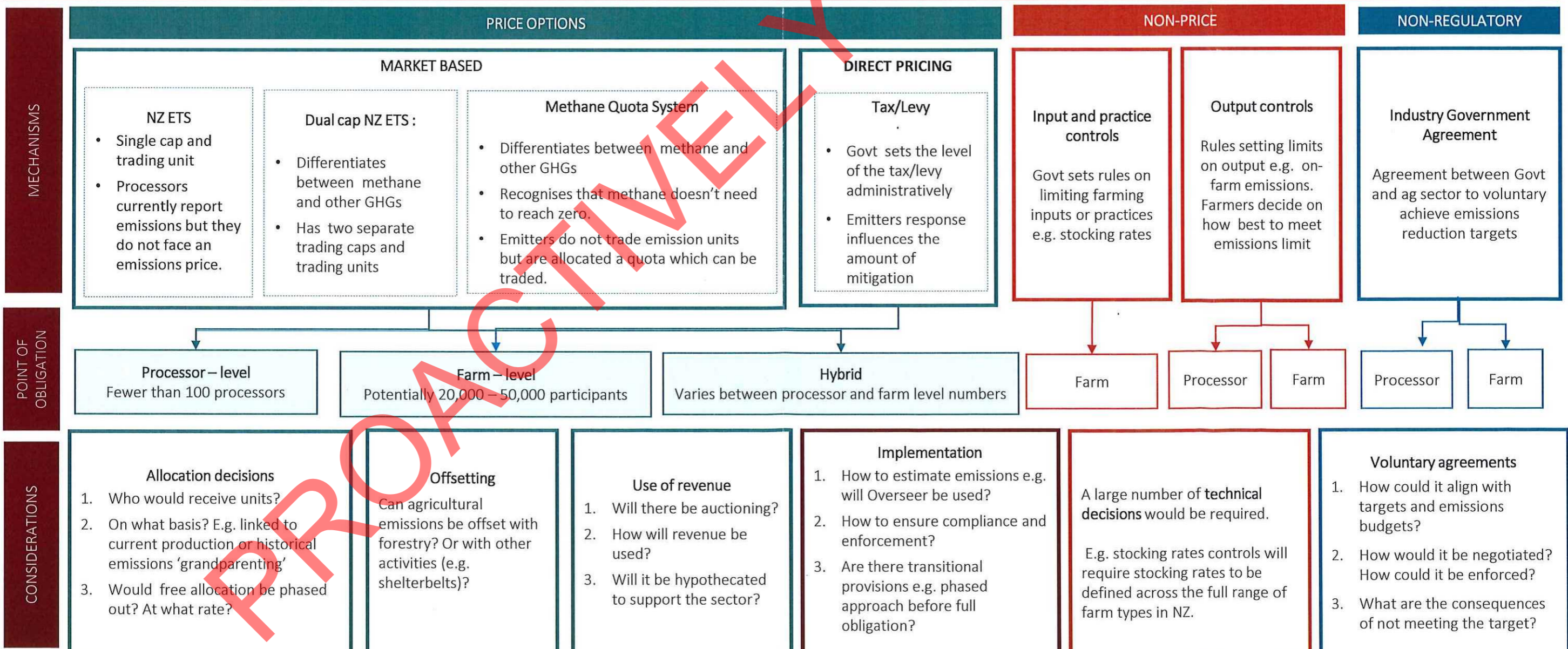
APPENDIX 1 - PROPOSED POLICY FRAMEWORK

OVERARCHING OBJECTIVE

To enable the agriculture sector to achieve cost-effective agricultural emissions reduction in line with the emissions budgets and target that will be set under the Climate Change Bill, and New Zealand's 2030 Nationally Determined Contribution.



POLICY LEVERS & KEY CONSIDERATIONS



PROACTIVELY RELEASED

Appendix 2: The year ahead for agricultural climate change policy

The calendar below shows how our work fits in with the timing of other key climate change work programmes. It also provides more detail on the process for getting to Government decisions in response to the Interim Committee's report (30 April – early July). You may find it helpful to cross-reference this with briefing note [18-B-05135].

