



BRF-1175 Talking points on ERP sufficiency for 16 February Climate Response Ministerial Group Meeting

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Security Level	Policy and Privacy In-Confidence	MfE Priority:	Not Urgent

	Action sought:	Response by:
Hon James SHAW, Minister of Climate Change		15 February 2022

Actions for Minister's Office Staff	Return the signed report to MfE.
Number of appendices and attachments # nil	

Key contacts

Position	Name	Cell phone	1st contact
Principal Author	s 9(2)(a)		
Responsible Manager	Kate Whitwell	s 9(2)(a)	✓
Director	Melody Guy		

Talking points on ERP sufficiency for 16 February Climate Response Ministerial Group Meeting

1. You are presenting on the current policy package aimed at meeting the first emissions reduction plan (ERP) at the meeting of the Climate Change Response Ministers Group (CRMG) on 16 February.
2. This briefing provides you with talking points for that item. Slides for the item have been provided to your office separately.
3. We recommend you use the session to seek CRMG's agreement that:
 - a. We proceed with the current proposed policy package, and adopt an adaptive management approach throughout the budget period to manage progress against the ERP (sometimes referred to as an "overs and unders" approach)
 - b. We bolster the current policy package by:
 - i. s 9(2)(f)(iv) and s9(2)(g)(i) [REDACTED]
 - c. CRMG notes that proceeding with the current package would mean publishing an ERP that is expected to meet the first emissions budget within uncertainty bounds, given an adaptive management approach. Investment actions now will enable lower cost emissions reductions in budgets two and three.
 - d. You suggest that CRMG meeting in late-March to review progress on the emissions reduction plan and ensure Cabinet papers align with the overall strategy.
4. The remainder of this briefing provides some high level notes and talking points relevant to each slide.

High level notes

5. The first emissions budget period started on 1 January this year and runs for four more years to 2025. New policies and actions being included in the first ERP will bend the curve significantly below business as usual (which already includes existing emission reduction policies).
6. The key determining factor in the sufficiency of the first ERP is how well the policies now being included in the ERP are implemented, rather than whether new policies can be added at this late stage. Even more significant are wider factors such as the strength of the economy, commodity prices for milk solids and aluminium, migration and population growth.
7. New policy ideas should be constantly being generated, assessed and implemented where appropriate, however, these will usually have long lead times for impact and need to be considered in the context of the policy mix for future emissions budgets and making the economy-wide net zero transition.

Slide 2: Facts on the ground

8. The proposed policy package is very close to achieving the first emissions budget (subject to uncertainties) but does not provide a buffer when using central assumptions.
9. Assessments of impact on future emissions include substantial uncertainty.
10. The numbers will continue to move as policy impacts are refined.
11. “Easy” options to reduce emissions in the first emissions budget have been used. Capability and capacity constraints, and lead in times for good quality regulation and changes to pricing measures could constrain further action during the first emissions budget period.
12. s 9(2)(g)(i)
[Redacted]
[Redacted]
[Redacted]
13. Action to meet the first emissions budget will deliver significant reductions over subsequent budgets.
14. Final decisions on policy to be included in the first ERP are planned to be taken by Cabinet between 21 February and 28 March.

Slide 3: Advice and recommendations

15. Refer paragraph three of this briefing for a summary of the recommendations.

s 9(2)(f)(iv)
[Redacted]
[Redacted]
[Redacted]

17. The assessment assumes the refinery closes, and the smelter remains open.

Slide 5: Agriculture is expected to under-achieve in EB1 but substantially over-achieve in later budget periods

18. s 9(2)(g)(i) [Redacted]

19. s 9(2)(f)(iv) [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

20. In respect of He Waka Eke Noa, agricultural emissions pricing will not take place until 2025, so will not have a direct impact in EB1. But, policy decisions on emissions pricing made this year may encourage some farmers to take early action.

Slide 6: Forestry is expected to meet EB1 and EB3, but under achieve in EB2

21. Existing and proposed forestry policies have varying impacts on emissions. The positive impacts of most policy initiatives are offset by the impact of the proposed change to permanent exotic forestry in the ETS, particularly for the second emissions budget period.

Slide 7: Waste is expected to slightly under-achieve sub-sector targets across all budget periods, whereas F-gases are expected to meet all of them

22. s 9(2)(g)(i) [Redacted]
[Redacted]
[Redacted]
s 9(2)(f)(iv) [Redacted]
[Redacted]

Slide 8: Transport is expected to substantively over-achieve in EB1 as well as over-achieving in both EB2 and EB3

23. The current proposals for transport are relatively ambitious, and it is important to ensure they are properly resourced to ensure success. Most of the potential additional options for this sector are not considered likely to have a high impact or would have distributional impacts.

24. s 9(2)(g)(i) [Redacted]
[Redacted]
[Redacted]

Slide 9: Energy and Industry is expected to over-achieve in EB1 and substantively over-achieve in later budget periods

22. The current policy package has already put all the high quality options on the table, s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]

Slide 10: Action to meet the first emissions budget will deliver significant reductions over subsequent budgets

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25. Initiatives funded now will deliver significant emissions reductions over the longer term. Current assessments indicate that emissions budgets two and three could be achieved, even assuming a relatively low level of policy effectiveness.

Recommendations

We recommend that you:

Note the talking points in this briefing and use them to support your item on the sufficiency of ERP policy at the meeting of the CRMG on 16 February.

Signature

Melody Guy Director Emissions reduction plan	
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Hon James SHAW, Minister of Climate Change	
Date	