

## CLIMATE RESPONSE MINISTERIAL GROUP MEETING 23 NOVEMBER 2021

<b>Time</b>	3.30pm – 4.30pm
<b>Venue</b>	<b>Ministerial Meeting Room 2.2 EW</b> ( <i>CRMG Members and advisors only</i> ) <b>Zoom:</b> <a href="https://parliamentnz.zoom.us/j/86316013979?pwd=cVpBbkY3TksrU29BYlpTRUxZ3AwUT09">https://parliamentnz.zoom.us/j/86316013979?pwd=cVpBbkY3TksrU29BYlpTRUxZ3AwUT09</a>
<b>Attendance</b>	<b>Chair:</b> Rt Hon Jacinda Ardern, Prime Minister <b>Deputy Chair:</b> Hon James Shaw, Minister for Climate Change Hon. Grant Robertson – Minister of Finance; Minister of Infrastructure Hon. Megan Woods – Minister of Energy and Resources; Minister for Housing ( <i>departing at 4pm</i> ) Hon. David Parker – Minister for the Environment ( <i>departing at 4.15pm</i> ) Hon. Damien O'Connor – Minister of Agriculture; Minister for Biosecurity ( <i>from Australia</i> ) Hon. Stuart Nash – Minister of Forestry; Minister for Economic Development Hon. Poto Williams - Minister of Building and Construction Hon. Michael Wood – Minister of Transport ( <i>attending from 4pm</i> ) Hon. Willie Jackson – Minister for Māori Development <b>Apologies Received</b> Hon. Nanaia Mahuta – Minister of Foreign Affairs; Local Government; Associate Māori Development ( <i>Hon. Parker acting Minister</i> ) Hon. Carmel Sepuloni – Minister of Social Development and Employment
<b>Agenda Overview</b>	Item 1: Sufficiency of ERP policies to meet proposed emissions budgets Item 2: CE Board update on sufficiency of ERP and private sector collaboration Item 3: Energy Report Item 4: Building and Construction Report Item 5: Forestry Report Item 6: Agriculture Report Item 7: Transport Report Item 8: Waste Report Item 9: Approach to priorities for Budget '22 CERF

	TIME	AGENDA ITEM	RECOMMENDATIONS
<b>1</b>	3:30-3:40pm	<b>Lead Speaker: Prime Minister</b> <b>Sufficiency of ERP policies to meet proposed emissions budgets</b>	<b>Timelines for ERP decisions</b> <b>1. Note</b> consultation on the ERP discussion document closes on 24 November 21 <b>2. Note</b> Cabinet decisions will be sought in December on up to 45 ERP policies (both for final and in-principle decisions) <b>3. Direct</b> officials to complete the list of all actions to be included in the final ERP, and provide a response to all of the Commission's recommendations which have been assigned to agencies, ahead of Cabinet decisions on the ERP in December. This information will ensure there is a complete stocktake of all the Commission's recommendations and the Government's proposed approach (agree, partial agree (with modifications), disagree). This is currently included in Appendix A and B of the template provided by the Ministry for the Environment. <b>4. Note</b> further Cabinet decisions will be sought by March to confirm in-principle decisions and any further ERP decisions arising from work on new
	Referring to earlier Cabinet decisions: (CAB-21-MIN-0372):	<ul style="list-style-type: none"> <li>• <b>Noted</b> the development of the Emissions Reduction Plan discussion document highlighted the need for further policy interventions in order to ensure the final Emissions Reduction Plan is on the path to achieving the proposed first emissions budget;</li> <li>• <b>Directed</b> agencies to further develop and finalise the proposed policies that are included in the discussion document, and undertake further work on new policy interventions so that the final Emissions Reduction Plan outlines how each sector is on the path to achieving the proposed first emissions budget</li> <li>• <b>Invited</b> the Climate Response Ministerial Group to consider the process for developing further policy</li> </ul>	

	<p>options for inclusion in the final Emissions Reduction Plan</p> <ul style="list-style-type: none"> <li>• <b>Directed</b> the Climate Chief Executives Board to oversee the policy work for the Emissions Reduction Plan and prepare, for the September CRMG, a proposal that will enable final policy decisions for the Emissions Reduction Plan in 2021</li> </ul> <p>This meeting will check in on progress on those policy interventions and options. It will also consider:</p> <ul style="list-style-type: none"> <li>• Proposed December cabinet papers and decisions, including any significant policy direction needed</li> <li>• Timelines for delivering the final Emissions Budgets and ERP</li> </ul> <p><b>Supporting Documents:</b></p> <ul style="list-style-type: none"> <li>• <i>Timelines for decisions and key steps to deliver the ERP and emissions budgets by May 22.</i></li> </ul>	<p>policies s 9(2)(f)(iv)</p> <ol style="list-style-type: none"> <li>5. <b>Note</b> the final ERP and emissions budgets will be announced in mid-May, aligning with Budget '22 announcements.</li> <li>6. <b>Direct</b> agencies to prepare draft content for the ERP by 15 February 2022 so that the Ministry for the Environment can take responsibility for centralised drafting of the ERP as a whole.</li> </ol>
2	3:40-3:45pm	<p><b>Lead Speaker: Vicky Robertson</b>  <b>CE Board update on sufficiency of ERP and private sector collaboration opportunities</b></p>
	<p>This item will provide a short update on abatement sufficiency and private sector collaboration opportunities.</p> <p><b>Supporting Documents:</b></p> <ul style="list-style-type: none"> <li>• <i>Update on abatement potential of proposed ERP policies to meeting Emissions Budget 1</i></li> </ul>	<ol style="list-style-type: none"> <li>1. <b>Note</b> that the proposed emissions budgets require abatement of: <ul style="list-style-type: none"> <li>• Emissions Budget 1 (2022-2025): 10.2 MT</li> <li>• Emissions Budget 2 (2026-2030): 36.5 MT</li> <li>• Emissions Budget 3: (2031 – 2035): 73.0 MT</li> </ul> </li> <li>2. <b>Note</b> that the ERP Discussion document indicated abatement from quantified policies of between 2.6 and 5.6 MT in Emissions Budget 1 dependent on policy impact, and when deciding emissions budgets the Minister needs to have confidence they are ambitious but technically and economically achievable.</li> <li>3. <b>Note</b> that current abatement quantification from proposed ERP policies and actions is now estimated to deliver between 5.0 and 6.9 MT in Emissions Budget 1, with an additional 3.0MT of reduction due to the expected closure of the Marsden Point oil refinery (to an import-only terminal).</li> <li>4. <b>Note</b> the intention for CRMG to engage with private sector leaders in early February on further abatement and policy opportunities for the ERP.</li> </ol>
3	3:45-3:50pm	<p><b>Lead Speaker: Minister Woods</b>  <b>Energy Report</b></p>
	<p>This item will consider:</p> <ul style="list-style-type: none"> <li>• Energy Subtarget (2022-25)</li> <li>• Progress to the subtarget</li> <li>• Additional options being prepared to close the gap</li> </ul>	
4	3:50-3:55pm	<p><b>Lead Speaker: Minister Williams</b>  <b>Building and Construction Report</b></p>
	<p>This item will consider:</p> <ul style="list-style-type: none"> <li>• Building and Construction Subtarget (2022-25)</li> <li>• Progress to the subtarget</li> </ul>	

	<ul style="list-style-type: none"> <li>Additional options being prepared to close the gap</li> </ul>	
5	3:55-4:00pm	<b>Lead Speaker: Minister Nash Forestry Report</b>
	This item will consider: <ul style="list-style-type: none"> <li>Forestry Subtarget (2022-25)</li> <li>Progress to the subtarget</li> <li>Additional options being prepared to close the gap</li> </ul>	
6	4:00-4:05pm	<b>Lead Speaker: Minister O'Connor Agriculture Report</b>
	This item will consider: <ul style="list-style-type: none"> <li>Agriculture Subtarget (2022-25)</li> <li>Progress to the subtarget</li> <li>Additional options being prepared to close the gap</li> </ul>	
7	4:05-4:10pm	<b>Lead Speaker: Minister Wood Transport Report</b>
	This item will consider: <ul style="list-style-type: none"> <li>Transport Subtarget (2022-25)</li> <li>Progress to the subtarget</li> <li>Additional options being prepared to close the gap</li> </ul>	
8	4:10-4:15pm	<b>Lead Speaker: Minister Parker Waste Report</b>
	This item will consider: <ul style="list-style-type: none"> <li>Waste Subtarget (2022-25)</li> <li>Progress to the subtarget</li> <li>Additional options being prepared to close the gap</li> </ul>	
9	4:15-4:30pm	<b>Lead Speaker: Minister Robertson Approach to priorities for Budget '22 CERF</b>
	This item will consider: <ul style="list-style-type: none"> <li>Update on the CERF invitation process</li> <li>Post-December CERF process for B'22, including the proposed involvement of CRMG</li> </ul> <p><b>Supporting Documents:</b></p> <ul style="list-style-type: none"> <li><i>Proposed process timeline to develop Budget 2022 CERF package</i></li> <li><i>Proposed roles and responsibilities for Budget 2022 CERF advice</i></li> </ul>	<p><b>Approach to priorities for Budget '22 CERF</b></p> <ol style="list-style-type: none"> <li><b>Note</b> the current state of the CERF invitation process, including the expectation that funding for ERP actions will also be sought beyond the B'22 process.</li> <li><b>Note</b> the process for bringing CRMG and ERP perspectives into CERF B'22 finalisation process post December.</li> <li><b>Note</b> the long term nature of the ERP will mean not every policy listed in the ERP will be funded in B '22. The expectation is that policies will be included where funding may be required from future budgets.</li> </ol>

**Next meeting December:**

- ERP and emissions budgets to round out Ministerial consultation ahead of Cabinet decisions
- Out of Scope [REDACTED]
- [REDACTED]

## CLIMATE RESPONSE MINISTERS GROUP MEETING: MINUTES AND RECOMMENDATIONS

Tuesday 23 November, 3:30 – 4:40pm

**Chair:** Rt Hon Jacinda Ardern, Prime Minister

**Deputy Chair:** Hon James Shaw, Minister of Climate Change

Hon Grant Robertson – Minister of Finance; Minister of Infrastructure

Hon Megan Woods – Minister of Energy and Resources; Minister for Housing

Hon David Parker – Minister for the Environment

Hon Damien O'Connor – Minister of Agriculture; Minister for Biosecurity

Hon Stuart Nash – Minister of Forestry; Minister for Economic Development

Hon Poto Williams - Minister of Building and Construction

Hon Willie Jackson – Minister for Māori Development

### **Apologies:**

Hon Nanaia Mahuta – Minister of Foreign Affairs; Local Government; Associate Māori Development

Hon Michael Wood – Minister of Transport

Hon Carmel Sepuloni – Minister of Social Development and Employment

### **Item 1: Approach to priorities for Budget '22 CERF**

Ministers noted that the hypothecation of ETS revenue would be signalled in the Budget Policy Statement, and discussed issues of timing and sequencing of ERP decisions and how these align with the budget process. s 9(2)(g)(i)

The Climate Response Ministers:

1. **Noted** the current state of the CERF invitation process, including the expectation that funding for ERP actions will also be sought beyond the B'22 process.
2. **Noted** the process for bringing CRMG and ERP perspectives into CERF B'22 finalisation process post December.
3. **Noted** the long term nature of the ERP will mean not every policy listed in the ERP will be funded in B '22. The expectation is that policies will be included where funding may be required from future budgets.

### **Item 2: CE Board update on sufficiency of ERP and private sector collaboration opportunities**

The Secretary for the Environment outlined the current status of policies with regard to their sufficiency in meeting emissions budget 1, and noted that there were some risks associated with the projections, including their deliverability (touching on issues such as infrastructure

delivery, labour market constraints and border issues), and the fact that achieving the budgets relied on the closure of the aluminium smelter.

The Secretary for the Environment noted that the Climate CE Board would update the Cabinet Priorities Committee in both December and February regarding further abatement options, and noted the key role the private sector could play in identifying barriers to private sector action. She noted that more work had been done on process heat, and that MBIE had been working on further abatement options; that transport had developed significant emissions reduction options; and that it was forestry and agriculture where further reductions were sought.

Ministers s 9(2)(g)(i), and agreed that agencies should take a conservative view of the abatement that policies would deliver, rather than being too optimistic. Ministers gave direction that the closure of the refinery should not be included within the assessment of whether policies would deliver the abatement required for the first emissions budget, but rather should be separated out.

Ministers also discussed the Climate Commission's report, noting that while the report didn't make specific policy recommendations, the report defined a demonstration pathway based on an analysis of "what was possible." The report recommended areas of policy where emissions reductions should be sought, based on their analysis of a considerable body of evidence. Ministers questioned whether there were initiatives that the Commission had included in their pathway that had not been identified or developed by officials, and Ministers agreed to the circulation of a pack developed by the Ministry for the Environment laying out the policies that the Commission had included.

The Climate Response Ministers:

4. **Noted** that the proposed emissions budgets require abatement of:

- Emissions Budget 1 (2022-2025): 10.2 MT
- Emissions Budget 2 (2026-2030): 36.5 MT
- Emissions Budget 3: (2031 – 2035): 73.0 MT

5. **Noted** that the ERP Discussion document indicated abatement from quantified policies of between 2.6 and 5.6 MT in Emissions Budget 1 dependent on policy impact, and when deciding emissions budgets the Minister needs to have confidence they are ambitious but technically and economically achievable.

6. **Noted** that current abatement quantification from proposed ERP policies and actions is now estimated to deliver between 5.0 and 6.9 MT in Emissions Budget 1, with an additional 3.0MT of reduction due to the expected closure of the Marsden Point oil refinery (to an import-only terminal).

7. **Noted** the intention for CRMG to engage with private sector leaders in early February on further abatement and policy opportunities for the ERP.

### Item 3: Updates from sector Ministers re policies to meet proposed emissions budgets

#### Agriculture

Ministers discussed the actions being taken in the agriculture sector for emissions budgets 1, with it being noted that agriculture was significantly below the Climate Commission's Demonstration Pathway s 9(2)(g)(i) [REDACTED]. Ministers discussed the need to give momentum to sector change through Budget 22, and noted the trends in land use change. Ministers noted that the Minister of Agriculture is preparing CERF bids that would significantly scale up farm support services focused on climate change and accelerate the availability of new mitigations through R&D investment.

Ministers noted additional policy interventions were required and a question was raised as to whether, in the short term, there was an on-farm practice or product that should be prioritised by the Government, and discussion noted incentives for regenerative and low intensity systems, and lower methane bulls. Ministers sought further information on the opportunities for additional reductions in the first budget period, including nitrate inhibitors, lower methane feeds, and regenerative farming. Ministers noted that there were technologies flagged in the Biological Emissions Reference Group report prior to 2017 that had still not been commercialised, and discussed whether one option was to develop incentives for farmers to adopt these practices.

Ministers noted that the pricing system from He Waka Eke Noa would not be implemented until 2025, and its impacts thus would not be felt in emissions budget 1. Discussion canvassed the indebtedness of farmers and the potential for financial incentives that addressed the capital barriers to change. s 9(2)(f)(iv) [REDACTED]

Ministers noted absence of positively framed policies, such as incentive regimes or other subsidisation of products or farming practices. There are a range of practices or products that would have a meaningful impact on on-farm emissions the Government may wish incentivise or subsidise (ranging from feed to planting on erosion prone marginal land). Industry groups have proposed a number of such policies as part of the consultation process.

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

Ministers also canvassed where momentum was building, with Silver Fern Farms carbon zero beef noted as one potential example where a case study that highlighted practical actions that would be deployed more widely.

Ministers requested:

a) More detail on the Silver Fern Farm case study, including whether there were examples of practical options that could be deployed more widely;

b) s 9(2)(f)(iv)

s 9(2)(g)(i)

### Energy

Ministers noted that with the revised measures, the projected impact of actions to reduce emissions in the energy sector delivered between +1Mt to -0.7Mt relative the Commission's demonstration pathway. However, this included the closure of the refinery which Ministers agreed to not count for the purposes of Energy's sector subtarget.

Ministers discussed whether further reductions could be sought from the energy sector, and noted the GIDI fund could potentially deliver further reductions at low marginal cost, along with energy efficiency residential lighting (with wider benefits if this was targeted to low income households). Ministers also noted the need for work on regulatory settings for offshore wind, with initiatives such as this important for the ERP due to their need to be ready for the future emissions budgets.

Ministers confirmed that these additional options were seeking budget funding, and noted the importance of including the 'Big Plays' within the ERP initiatives, as fast decisions on these could yield significant emissions reductions in the future. Ministers noted the potential for using all of Government purchasing power to free spending for some of these additional projects. s 9(2)(f)(iv)

### Was

Ministers noted that the Climate Change Commission had increased the ambition of reductions in biogenic methane from waste from a 15% reduction to a 40% reduction, and noted that while this was challenging, it was achievable. However, discussion canvassed the gap in funding that would deliver these reductions, noting that the Waste Levy wouldn't "ramp up" until 2025, and thus CERF funding would be necessary. If the funding was secured, substantial progress could be delivered.

Discussion moved to construction waste, with Ministers noting that significant progress would be possible with early policy decisions, and confirming that the discussion document

on the circular economy was key. Ministers confirmed that they would bring together initiatives from the building, waste and housing portfolios to examine synergies, with government procurement also having relevance here.

### Forestry

Ministers noted that the planting rates outlined in the Climate Commission's demonstration pathway were a "big ask" and discussed the social licence for planting. Links into the ETS were canvassed, as well as the issue of whether permanent forests should require consents, and the desirability (for both climate outcomes and broader ecological outcomes) of exotic vs indigenous sinks.

Ministers confirmed the inclusion in the CERF process of a bid to refine the look up tables for indigenous species (including querying the amount sought), s 9(2)(f)(iv)

### Transport

The official from the Ministry of Transport noted the development of new ideas for reducing transport emissions, but confirmed that these would not have any impact until later budget periods. Ministers noted some new initiatives, such as school specific active transport plans and EV financing for key workers.

In conclusion, the Climate Response Ministers:

8. **Noted** consultation on the ERP discussion document closes on 24 November 21.
9. **Noted** Cabinet decisions will be sought in December on up to 45 ERP policies (both for final and in-principle decisions).
10. **Directed** officials to complete the list of all actions to be included in the final ERP, and provide a response to all of the Commission's recommendations which have been assigned to agencies, ahead of Cabinet decisions on the ERP in December. This information will ensure there is a complete stocktake of all the Commission's recommendations and the Government's proposed approach (agree, partial agree (with modifications), disagree). This is currently included in Appendix A and B of the template provided by the Ministry for the Environment.
11. **Noted** further Cabinet decisions will be sought by March to confirm in-principle decisions and any further ERP decisions arising from work on new policies (including ERP foundational initiatives or 'big plays').
12. **Noted** the final ERP and emissions budgets will be announced in mid-May, aligning with Budget '22 announcements.
13. **Directed** agencies to prepare draft content for the ERP by 15 February 2022 so that the Ministry for the Environment can take responsibility for centralised drafting of the ERP as a whole.
14. **Invited** the Minister of Agriculture to report back to the February Climate Response Ministerial Group with additional policy options that could support farmers to reduce on farm emissions, including:

- a. s 9(2)(f)(iv) [REDACTED]  
[REDACTED]
- [REDACTED]
- [REDACTED]  
[REDACTED]  
[REDACTED]

ENDS

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# Delivering the Emissions Reduction Plan

## CRMG meeting 23 November 2021

This paper provides background material for:


Agenda item 1: Sufficiency of ERP policies to meet proposed emissions budgets (Prime Minister)

- *Timelines for decisions and key steps to deliver the ERP and emissions budgets by May 2022*

Agenda item 2: CE Board update on sufficiency of ERP and private sector collaboration opportunities (CE Board chair)

- *Update on abatement potential of proposed ERP policies to meeting Emissions Budget 1*

Out of Scope



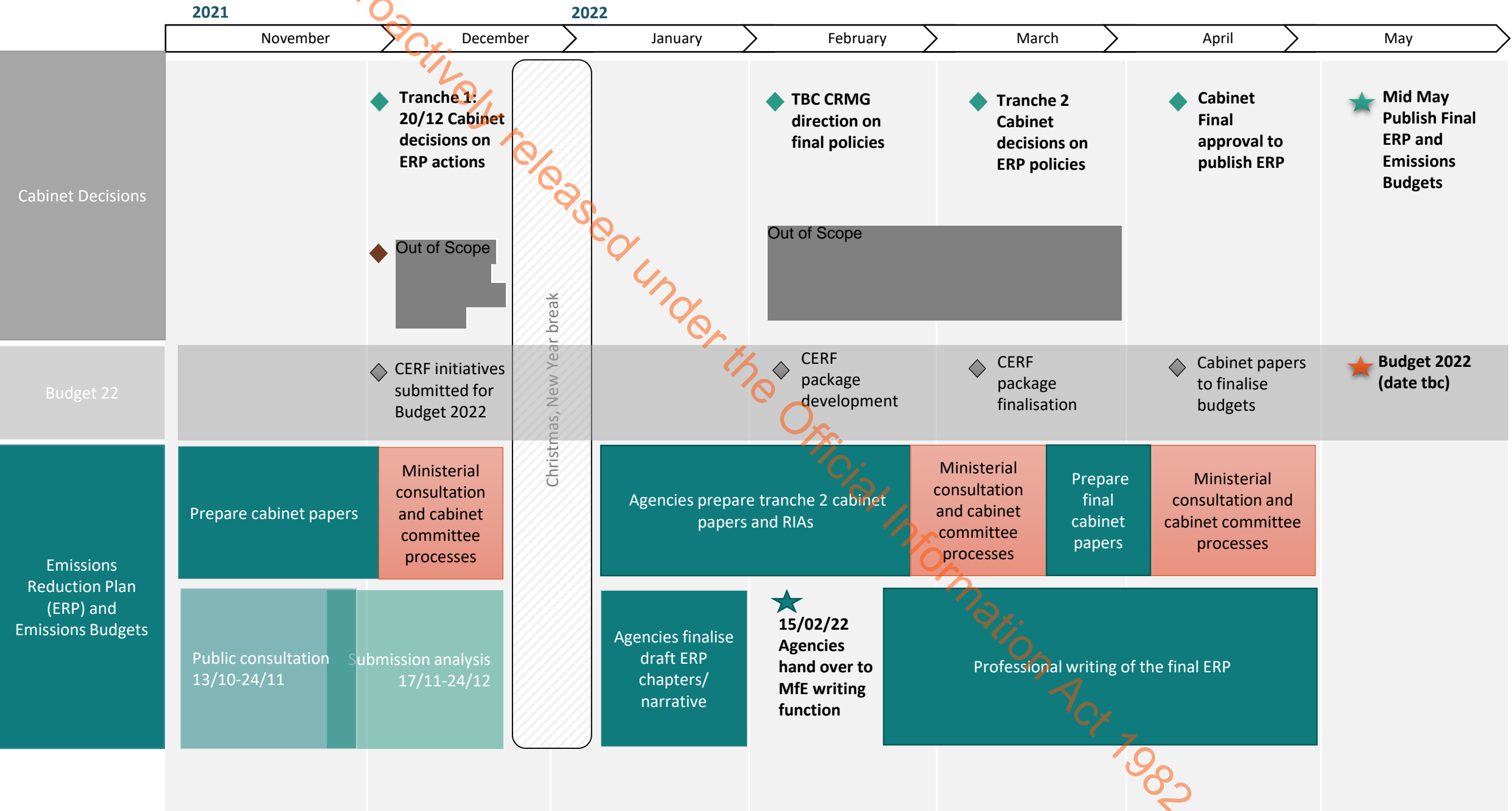
Agenda item 1:

## Timelines for decisions and key steps to deliver the ERP and emissions budgets by May 2022

Key dates:

- Consultation on the ERP discussion document closes on 24 Nov '21
- Cabinet decisions will be sought on 20 Dec on up to ~45 ERP policies (5 'final' and up to 40 'in-principle' decisions ) (*e.g. Final decisions include: setting a renewable energy target. In-principle decisions include: developing a circular economy strategy with bioeconomy component, developing the Equitable Transition Strategy*)
- In the Dec 'overarching' Cabinet paper there will be a stocktake of all the Commission's recommendations to provide clarity on the proposed responses (agree, partial agree (with departure), disagree) (Appendix B to ERP)
- Final ERP policy decisions will be sought in March '22
- A dedicated central writing function will be deployed by MfE to refine the ERP narrative from Feb '22 to ensure a strong, compelling and cohesive final product for publication
- A Cabinet paper seeking approval of the ERP for publication will go to Cabinet in mid-late April '22
- The final ERP and emissions budgets will be delivered mid-May '22, aligning with Budget '22 announcements (date TBC)

# Emissions reduction plan high level timeline



Agenda item 2:

## CE Board update on sufficiency of ERP and private sector collaboration opportunities (Vicky Robertson, CE Board chair)

Key messages:

s 9(2)(g)(i)

- The ERP discussion document indicated abatement from quantified policies of between 2.6 and 5.6 MT in EB1.
- Since then, the gap has closed significantly. Current abatement quantification from proposed ERP policies and actions is estimated to deliver between 5.0 and 6.9MT in EB1, with an additional 3.0MT reduction from expected closure of the refinery.

s 9(2)(g)(i)

- Note: There are inevitably large uncertainty bands around underlying emissions projections and estimates of policy impacts.
- Important to also focus on:
  1. How effective implementation, monitoring and corrective action can ensure EB1 is met
  2. Ensuring foundational policies and investments are in place for the much deeper reductions needed in EB2 & EB3

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