CLIMATE RESPONSE MINISTERIAL GROUP MEETING 2 MARCH 2022

	Meeting Agenda Items
Date	**2 March 2022**
Main items	**Agenda item 1: Opportunities for Private Sector Collaboration (40 Mins)** Out of Scope

Date	Time	Location	Attendees
		MMR 2.1	**Chair:** Rt Hon Jacinda Ardern, Prime Minister **Deputy Chair:** Hon James Shaw, Minister for Climate Change Hon. Grant Robertson – Minister of Finance; Minister of Infrastructure Hon. Nanaia Mahuta – Minister of Foreign Affairs; Local Government; Associate Māori Development Hon. Damien O'Connor– Minister of Agriculture Hon. David Parker – Minister for the Environment Hon. Michael Wood – Minister of Transport Hon. Megan Woods – Minister of Energy and Resources; Minister for Housing Hon. Carmel Sepuloni – Minister of Social Development and Employment Hon. Poto Williams - Minister of Building and Construction Hon. Willie Jackson – Minister for Māori Development Hon. Stuart Nash – Minister of Forestry; Minister for Economic Development Hon. Dr. David Clark – Minister Responsible for the Earthquake Commission (to be invited) **For agenda item 1:** s 9(2)(a) Silver Fern Farms s 9(2)(a), Synlait s 9(2)(a), Mercury Energy s 9(2)(a), Sustainable Business Council

#	Time	Agenda Item	Recommendations
1	**40 mins**	**Lead Speaker: Minister of Climate Change** **Opportunities for Private Sector Collaboration**	
		On 23 November 2021, CRMG: • ***Noted*** *the intention for CRMG to engage with private sector leaders in early February on further abatement and policy opportunities for the ERP.* This item will: provide an opportunity for Climate Response Ministers to discuss barriers to reduce emissions and potential co-investment opportunities with a small group of private sector CEs, following an engagement process with private sector representatives and officials on these issues.	1. **Note** private sector collaboration provides an opportunity to identify barriers to reducing emissions and to better understand private sector initiatives to support the transition, and the role of Government to help address these barriers and unlock investment. 2. **Note** that officials, including Climate Change Chief Executives, have engaged across the following sectors: • Agriculture and Forestry

	Supporting Documents: • *Slide pack: Background brief: opportunities for engagement with private sector leaders on reducing emissions* • *[Outline of discussion]*	• Transport • Buildings and construction • Energy • Waste and F Gases 3. **Note** areas for potential immediate co-investment that have been identified in engagement so far and align closely with Budget 22 bids • Expanding the Government Investment in Decarbonising Industry (GIDI) Fund • Expanding the Low Emissions Transport Fund (LETF) with a focus on decarbonising freight and investing in EV infrastructure • Create an agriculture Centre of Excellence to co-invest in R&D 4. **Discuss** opportunities for co-investment and barriers to reducing emissions with small group of private sector chief executives

#	Time	Agenda Item	Recommendations
2	20 mins	Out of Scope	

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

Upcoming meetings:

March 2022:

- Funding and financing Aotearoa New Zealand's climate transition – oral update on CERF
- Report back on the role of the ETS (and the role of forestry) in supporting gross emissions reductions

April 2022:

- Emissions Reduction Plan: final considerations for setting emissions budgets and finalising the ERP in May.

Ministry for the Environment
Manatū Mō Te Taiao

Background brief: engagement with private sector leaders on reducing emissions

24 February 2022

[Budget Sensitive]

Context

- In order to meet our emissions budgets and transition to a low-emissions economy, there needs to be strong uptake of low emissions technologies and practices by the private sector.
- There is an appetite for government and private sector to accelerate collaboration on emissions reduction initiatives. We need to better understand how private sector initiatives can help us meet our emissions budgets, and what role the Government can play to enable these.
- In late 2021, Climate Response Ministers commissioned the Climate Change Chief Executives Board to engage with private sector leaders to better understand barriers to action and co-investment opportunities.
- The Climate Response Ministerial Group meeting on 2 March 2022 will provide an update on this work, and will include some private sector leaders in attendance to share their perspectives.
- This slide pack provides background information on engagement to date to support the discussion at CRMG.

Ministry for the Environment
Manatū Mō Te Taiao

Engaging on the opportunities

Officials have been engaging with private sector leaders on an ongoing basis to explore barriers and opportunities for accelerated action under the Emissions Reduction Plan, with a focus on the first emissions budget.

Engagement	Date	Purpose
Public and Private Leaders workshop pre-CRMG	11 Nov 2021	• Ascertain areas of current and planned investment • Establish shared areas of interest and barriers to action
ERP agency meetings on sector specific opportunities	Dec 2022	• Surface opportunities for sector emissions reduction that are not included in the current ERP
GM sector specific workshops to identify collaborative action opportunities and surface existing barriers	Jan 2022	• Prioritise potential opportunities and agree requirements/next steps for action to take to CEs
Wider CE group check in and overview of action opportunities to go to CRMG and next steps	23 Feb 2022	• Update to the wider group on selected opportunities and barriers ahead of CRMG the following week • Update on ERP progress and introducing the National Adaptation Plan
A small number of Private Sector Leaders attend CRMG	***2 March 2022***	• ***To speak to the barriers and co-investment opportunities***
Wider CE group check in pre-ERP launch	Late April/ Early May	• Insights into the launch process • Opportunities for joint communications • Share intel on developments, progress and issues coming down the line

Ministry for the Environment
Manatū Mō Te Taiao

Sectors

Officials have discussed barriers and co-investment opportunities in the following five sectors to surface barriers to emissions reductions and areas where there was joint interest:

- Energy and Industry
- Buildings and construction
- Transport
- Agriculture and Forestry
- Waste and F Gases

Ministry for the Environment
Manatū Mō Te Taiao

Areas of joint interest

From initial engagement, the following short-list of initiatives had broad interest and were further scoped:

Short term impact (EB 1 impact)	
Expand the Government Investment in Decarbonising Industry (GIDI) Fund	Focus on investment at the leading edge, removing first mover disadvantage e.g. transmission costs, infrastructure to connect to the grid
Decarbonise freight and invest in infrastructure	Electrify at pace and scale, use hydrogen or biofuels in heavy vehicles, incentivise rail and shipping, electrify domestic aviation, feebates or reduced RUCs for heavy vehicles, set up a buying co-operative to be able to get vehicles and infrastructure at scale and pace
Decarbonise light vehicles	Invest in infrastructure such as EV fast chargers on arterial routes, and grid infrastructure to support electrification as well as opportunities to better encourage EV uptake (lease schemes)
Accelerate uptake of known sustainable farming practices	Drive behaviour change and improvements to on-farm emissions e.g. accelerating uptake of current emissions reducing technology
Short term implementation for medium term impact (EB2 impact)	
Develop a plan and incentives for domestic production and/or use of bioenergy	This plan could include biofuels, hydrogen and investing in supply chain and production facilities
Accelerate renewables	Utilise AoG buying power for power purchase agreements, and reduce consenting barriers for renewables e.g. create renewable energy zones
Create an agricultural GHG centre of excellence	Creating opportunities for Government and the private sector to co-invest in research and development for agricultural technology. This would have long-term impacts

Ministry for the Environment
Manatū Mō Te Taiao

Immediate co-investment opportunities

Three initiatives where there is strong joint interest for immediate action were identified:

1. **Expand the Government Investment in Decarbonising Industry (GIDI) Fund**
2. **Expand the Low Emissions Transport Fund (LETF), with a focus on decarbonising freight and light vehicles, and investing in infrastructure**
3. **Create an agricultural GHG Centre of Excellence**

- These three areas align closely with three Budget 22 bids. Private sector interest and willingness to bring forward co-investment in these initiatives was fed through alongside budget advice to the Climate Change Chief Executives Board.

Ministry for the Environment
Manatū Mō Te Taiao

Immediate co-investment opportunities

Expanding the GIDI and the LETF

- There was strong private sector support and willingness to co-invest, and a view that using already existing successful mechanisms would achieve faster results.
- EECA have been having discussions with a number of private sector companies that could be willing to bring investment forward if these funds were expanded. This includes Synlait who will be represented at the CRMG meeting on 2 March 2022.
- Government's backing gives business confidence to invest in early decarbonisation and is often cited as a catalyst for securing third party investment
- The GIDI and LETF typically have around a 2:1 private sector: government investment ratio
  - Since the LETF and the previous Contestable Fund began, EECA has committed $42.9 million in government funding to 230 projects, matched by $97.5 million in applicant funding.
  - Since the GIDI began, EECA has committed $56.5 million in government funding to 39 projects, matched by $85 million in applicant funding.

Creating an agricultural GHG Centre of Excellence

- Many private sector leaders have said that joint investment in R&D for agricultural sector decarbonisation is fundamental to accelerate emissions reduction from the sector. A co-funded Greenhouse Gas Centre of Excellence has been proposed as a solution.

Ministry for the Environment
Manatū Mō Te Taiao

Barriers

Alongside areas of co-investment, the private sector highlighted interventions and barriers that would need to be addressed to accelerate emissions reductions.

- **Need for support to remove first mover disadvantage sector** e.g. sector-specific higher feebate thresholds such as for commercial vehicles (transport); earlier testing/piloting opportunities for smaller innovators (transport, E&I)
- **Greater policy certainty, coherence & clarity across regulation** e.g. Worksafe rules restrict outside charging infrastructure; smart charging regulations needed to incorporate demand response standards for EV charging, obligate new residential/commercial builds to plan for charging infrastructure (transport); faster/standardised consenting process for renewable projects (E&I); parts of the waste system are less regulated (uneven playing field) (waste)
- **Technology gap & further focus on R&D across a number of areas** e.g. need for new tech and alternative processes for primary steel/cement production (B&C) methane reduction (agriculture); keeping pace with innovation (E&I); role of biofuel – (E&I, transport, ag & forestry, B&C)
- **Outdated energy distribution & transmission pricing models** e.g. need for new transmission pricing methodology; renewable energy zones (E&I, B&C)
- **Further alignment between energy-transport planning** e.g. need the right balance on fast and slow EV charging, improved consistency and quality in slower public destination charging (transport)
- **Lack of low emissions transport infrastructure & cost-effective options on some transport** (waste, transport)
- **Focus on data, communication & behaviour change** e.g. role for government to get the messaging right (ALL); need to focus on behaviour change (E&I, transport); concern over consumer or sector understanding, consumer choice not fully leveraged (B&C); lack of data (waste, B&C); critical role of farm environmental plans must be met with behaviour change (ag & forestry)

Ministry for the Environment
Manatū Mō Te Taiao

Further detail on sector barriers

- Many of the specific barriers raised by the private sector in sector discussions are already included or have since been fed into agencies' thinking or work programmes.

- Further detail on sector specific barriers identified as well as actions agencies are taking or planning to address these issues are available as Annex 1 of these slides, and were discussed at the Climate Change Chief Executives Board meeting with private sector leaders on 23 February 2022.

- Private sector leaders attending the Climate Response Ministerial Group meeting on 2 March 2022 will be able to speak to some of these barriers.

Ministry for the Environment
Manatū Mō Te Taiao

CRMG Private Sector Attendees

- A small number of private sector leaders have been invited to attend the Climate Response Ministerial Group meeting on 2 March, to provide their perspective on some key opportunities and barriers to emissions reductions and initial co-investment opportunities:
  - s 9(2)(a) Sustainable Business Council
  - s 9(2)(a), Mercury Energy
  - s 9(2)(a), Silver Fern Farms
  - s 9(2)(a), Synlait

Ministry for the Environment
Manatū Mō Te Taiao

Ministry for the Environment
Manatū Mō Te Taiao

Annex 1: Detailed information on barriers to reducing emissions by sector

These were agreed at the Climate Change Chief Executive Board meeting with private sector leaders on 23 February 2022

Energy & Industry

Outcome needed	Top barriers identified	Enablers/ opportunities identified to support private sector action	How/where being addressed
Our energy supply is secure *Resource consenting is faster & more standardised* *Policy certainty gives clear direction of travel*	**On supply:** • Resource management planning for new renewable electricity generation • Supply security – managing the transition from gas, including in the electricity system • Role of and supply of biofuels • Transmission and distribution system barriers – dealing with transmission access, transmission and distribution pricing models.	• Improve planning/ consenting for renewable energy • Diversifying into biogas and hydrogen - bioenergy think piece • Developing an energy strategy • Clarity on role and policy direction for gas • Consideration of transmission and distribution charges • Consideration of renewable energy zones	• Development of an energy strategy to signal a pathway away from fossil fuels and towards more renewable electricity and other low emissions fuels. • Review of current national direction tools for enabling new generation, transmission and distribution • NZ Battery project investigating options to address NZ's dry year storage issue. • Considering development of circular/bioeconomy strategy, which could include actions to support and guide development and use of bioenergy. • EA – MDAG work on wholesale market operation and investment with 100 percent renewables, investigating future security and resilience of electricity market. • Work underway on first mover disadvantage – implementing review of transmission pricing methodology, renewable energy zones may also assist.

Energy & Industry

Outcome needed	Top barriers identified	Enablers/opportunities identified to support private sector action	How/where being addressed
Policy certainty gives clear direction of travel *Behaviour change reduces pressure on the energy system* *Transmission and distribution barriers including first mover issues are addressed*	**On demand:** • Transmission and distribution system barriers - access, addressing first mover disadvantage, providing EV infrastructure. • Promoting behaviour change and demand-side flexibility • Addressing uncertainty in policy and pricing	• Government support to provide certainty for investment, address first mover disadvantage • Government support to drive/support behaviour change, support opportunities and enable innovation • Minimising changes in the ETS and electricity market to maintain certainty	• In alignment with energy strategy, considering Commission's recommendation for a plan of actions for decarbonising the industrial sector. • Exploring expansion of the GIDI fund, including a focus on network connection capacity for new demand for electrification. • Transmission and distribution upgrades are in scope of GIDI where they lead to a heat electrification project. • Distribution – review of regulatory settings for distribution networks to support transition, reform to distribution pricing. • Work to investigate development of demand response standards for EV charging.

Building & Construction

Outcome needed	Top barriers	Enablers/opportunities to support private sector action	How/where being addressed
Policies and regulatory system raises the bar and sets clear direction of travel *We provide coherence and certainty across policy and (vertical, horizontal and other) infrastructure investment*	• Uncertainty on NZ outlook complicates investment (risk of 'first mover disadvantage') • Supply chain and price issues (NZ small market) • Need for new tech and alternative processes (eg. primary steel & cement production) • Competitive challenges – incl scalability, costs, risk management • Consumer and sector understanding, lack of info, data, tools • Skills shortages and gaps • Reg barriers and risks	• Reg changes – raising expectations, signalling direction of travel • Further leverage expand industry leadership (ie. Construction Sector Accord) • Encourage modern construction methods, technology (eg. digital design, prefab/offsite) • Co-investments to catalyse or accelerate innovation (eg. low carbon steel) and market uptake – time to be affordable • Skills and training support • Biofuels, biomass & hydrogen for heavy vehicle freight • Supporting renewable energy	• Continuing work on proposed BfCC mandatory emissions reporting and caps for buildings • Construction Sector Accord – incl Environment & People workstreams • Scoping work to build data & evidence base + online tools • Exploring financial (incl tax) & other incentives for R&D, innovations, technology - incl uptake • Review of building & other regs to address barriers (eg. to new materials / methods) • Supporting workforce transition
Market (local and overseas) barriers are recognised and addressed	• Consumer drivers, choices & perceptions • NZ manufacturers competing with overseas (lower compliance and labour cost) products	• Behaviour change – incl sector and leveraging consumer choices • Financial sector levers (eg. Greenbonds, mortgage policies)	• BfCC Behaviour change programme (sector, consumers & consent authorities

Transport

Outcome needed	Top barriers	Enablers/opportunities to support private sector action	How/where being addressed
We have a holistic view of the EV charging network so investments are made at the right time and place	• No national plan for EV infrastructure • Lack of co-ordinated investment	• Incentivise greater EV uptake in corporate fleets • Greater alignment of energy and transport planning, also factoring in role of fast and slow charging	• New cross-agency EV charging working group –plan expected August 2022 • EECA EV charging roadmap • Development of long-term national EV infrastructure Plan
New Zealanders understand the need for change *New low emissions transport tech is brought into the NZ market*	• Current economics/price point • Lack of infrastructure • No ability to economically produce on-shore sustainable biofuels. • Lack of urgency on change	• Consumer behaviour change campaigns • Enabling policy to signal inevitability of low carbon transport system • Hydrogen working group • Action-oriented partnerships to enable policy & investment • Higher feebate thresholds (with sector-based adjustments) to support uptake of light commercial and heavy vehicles	• Incentives for low emissions light vehicles in place. Investigating options for heavy vehicles • Hydrogen working group • Biofuels mandate and work, including work on a Sustainable Aviation Fuel mandate • Exploring role of industry-government partnership on aviation decarbonisation • Expanding the LETF
More individuals and businesses can charge EVs from home	• Worksafe rules restricting charging infrastructure to garages	• Incentivise home charging • Smart charging regulations to ensure charges are not only safe, smart, but efficient	• MoT workplan for 2022/23 and included as action in ERP • EECA Act reform proposals (empowering EECA to regulate for demand response capability)

Agriculture & Forestry

Outcomes needed	Top barriers	Opportunities to support private sector action	How/where being addressed
Diversified land use *Coordinated and scaled-up R&D* *A secure energy supply*	• Lack of well-coordinated R&D funding • Diversification constrained by water allocation, labour and trade agreements • ETS driving too much conversion to forestry • Concern about sufficiency of renewable electricity supply and loss of gas and coal. • The role of biofuels and potential competition for feedstock.	• Need for scaled and centrally coordinated investment in R&D to mitigate methane • Address speculation in the ETS • Change policy settings on forestry conversion • Recycle grower's ETS contributions into new tech capital investment • Discussion on direction of investment in freight infrastructure (e.g., rail, shipping, heavy vehicles).	As part of developing the ERP, Government is considering: • a proposal for a Centre of Excellence for Agricultural GHG research • funding for Agricultural R&D • behavior change and extension services to support farmers to low emission practices • opportunities to support land-use diversification • ETS settings to balance achieving our targets via afforestation & gross emission reductions • options for further decarbonizing freight transport Government will recycle ETS revenue to fund new mitigations via the Climate Emergency Response Fund, with details to be announced in Budget22. MPI will release the Wood Fibre Futures report in late February outlining opportunities to use woody biomass for bioenergy including liquid fuels. This will address the supply of feedstock availability.
Reframing of climate conversation with farmers	• Critical role of farm environmental plans must be met with behaviour change • He Waka Eke Noa, concern on moving ahead & making commitments	• Closer working between Govt and processors. • Reframing narrative for constructive discourse with farmers (e.g. R&D focus) • Process for political system to engage with industry	He Waka Eke Noa partnership will be proposing options to Ministers in May 2022. The Food & Fibres Partnership Group (a pan industry, Māori, government group) is focused on emission reductions and will meet for the first time in March. MPI met with a group of leading innovative farmers to test and develop mitigation options.

Waste & F-Gases

Outcome needed	Top barriers	Enablers/opportunities to support private sector action	How/where being addressed
Our waste decarbonisation ambition is supported by policy certainty for clear direction of travel	• RMA reform, uncertainty • Current funding models. • Retaining participants in the sector – price sensitive sector (not held to same standards, lowest carbon option is cheapest) – comes back to investment model • Parts of the waste system are less regulated (uneven playing field) • Data quality • Need a coordinated investment strategy	• Support sharing of expertise and innovation across sector • Ensure right policy settings – waste generations • Help unlock access to LE heavy fleet for waste companies and focus on long haul solutions • Reset ways of working in partnership (local/central Govt, business), PPPs • Alternate funding models outside Waste Minimisation Fund • Coordinated investment strategy	Following public consultation systems settings are currently being considered through the Waste Strategy and WMA review process (proposals considered by Ministers mid-year) supported by: • Emissions reduction plan • The long-term waste infrastructure plan • 3yr Action and investment plans • Revised framework for waste levy investment – with a stronger focus on emission reduction
Behaviour change and a low carbon system	• Behaviour change takes time, further intervention needed • Must provide a level playing field and ensure low cost doesn't mean high carbon	• Compliance, monitoring and enforcement • Interventions should consider whole of life-cycle implications	• Work on a sector-wide licensing system • Improved data requirements via regulations