

**In-Confidence**

**Office of the Minister of Climate Change**

**DEV - Cabinet Economic Development Committee**

**Emissions reduction plan: Government accountability and coordination**

**Proposal**

- 1 This paper seeks decisions relating to government accountability and coordination for the emissions reduction plan (the plan) produced under the Climate Change Response Act 2002. It proposes:
  - 1.1 To support the implementation of the plan through formalising the Climate Change Chief Executives Board (CE Board) as an Interdepartmental Executive Board under the Public Service Act 2020
  - 1.2 To support the implementation of the plan through defining specific accountabilities on Ministers, individual public sector Chief Executives and the joint Climate Change Chief Executives
  - 1.3 To establish (subject to funding approved through Budget 2022) a monitoring and reporting system to ensure progress is understood and can inform active management of the plan at the economy, sector, and policy package levels.
  - 1.4 To develop guidance to help government agencies, Crown agencies, Crown entities and Crown-owned companies to consider climate change objectives in their decision-making.

**Relation to Government priorities**

- 2 The Government declared a climate change emergency on 2 December 2020. Cabinet agreed that climate change “demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge” [CBC-20-MIN-0097 refers].
- 3 Enabling a just transition to a low-emissions, climate resilient future is a Government priority. Cabinet declared its intention to “put the climate at the centre of government decision-making”. [CBC-20-MIN-0097 refers].
- 4 The proposals in this paper relate to the Cooperation Agreement between the Labour and Green Parties. Achieving the purpose and goals of the 2019 zero carbon amendments to the Climate Change Response Act 2002 (CCRA) is an agreed area of cooperation.
- 5 These decisions respond to recommendations contained in the Climate Change Commission’s (the Commission’s) report, *Ināia tonu nei: A low*

IN CONFIDENCE

*emissions future for Aotearoa*, and are part of a suite of proposals for New Zealand's first emissions reduction plan. The Commission recommends:

- 5.1 To nominate specific Ministers and agencies with accountability for implementing policies and strategies in the emissions reduction plans in line with emissions budgets (recommendation 9.1)
- 5.2 To provide consistent signalling across investments, policy statements, direction to officials, internal policies, and directives to ensure that all regulatory and policy frameworks and decisions are aligned with low emissions and climate resilient objectives (recommendation 9.4)
- 5.3 To require Crown agencies, entities, and Crown-owned companies to include climate change as part of their decision-making. The Commission noted that this should be a particular focus for long-lived investments such as housing and transport infrastructure, to help achieve emissions reduction and climate-resilience objectives, and should include embodied emissions (recommendation 12.4).

### Executive Summary

- 6 Subject to Cabinet's final agreement, the first plan will be published in May 2022. Publication represents a milestone for reducing New Zealand's emissions in the long term, and a shift in focus from policy development to implementation.
- 7 Cabinet has previously agreed that strong governance and accountability mechanisms are needed to keep the emissions reduction plan on track to ensure that any corrective action can be taken with high priority and urgency [CAB-21-MIN-0320.01 refers].
- 8 Cabinet has also agreed that sector sub-targets be used to measure the progress of each sector towards meeting the emissions reduction plan and has set the sub-targets for the first emissions budget period [CAB-21-MIN-0320.01 refers].
- 9 This paper proposes a structure for coordinating action and accountability for progress of the plan; and to provide the information needed to actively manage progress towards emissions budgets, by:
  - 9.1 Supporting the implementation of the plan through formalising the Climate Change Chief Executives Board (CE Board) as an Interdepartmental Executive Board under the Public Service Act 2020
  - 9.2 Supporting the implementation of the plan through defining specific accountabilities on Ministers, individual public sector Chief Executives and the joint Climate Change Chief Executives
  - 9.3 Establishing (subject to funding approved through Budget 2022) a monitoring and reporting system to ensure progress is understood and can inform active management of the plan at the economy, sector, and policy package levels

IN CONFIDENCE

- 9.4 Developing guidance to help government agencies, Crown agencies, Crown entities and Crown-owned companies to consider climate change objectives in their decision-making
- 10 The reporting system will measure how emissions are tracking against emissions budgets and will be used to assess how the Government is tracking on delivering the plan, including whether committed actions are being implemented.
- 11 The reporting system will also bolster accountability to the public by publishing timely and robust information on progress. This system will need to be supported by robust arrangements in the public service to provide for management across the plan, including advising how to manage sectors over- or under-delivering through each emissions budget period
- 12 This paper proposes that Cabinet agree to formalise the CE Board as an Interdepartmental Executive Board under the Public Service Act 2020. The main functions of the Board will be to:
- 12.1 coordinate implementation of cross-agency actions and strategies in the emissions reduction plan;
  - 12.2 advise Ministers on progress across the plan, which includes:
    - 12.2.1 Monitoring and reporting on implementation (“are we doing what we said we’d do?”)
    - 12.2.2 Monitoring and reporting on effectiveness and impacts (“are we getting the benefits we thought we would?”)
  - 12.3 Advise Government on policy responses to monitoring results, including shortfall or overshoot of the sector sub-targets
  - 12.4 Publish monitoring reports on the plan, sub-targets, and implementation.
- 13 Funding to resource Chief Executives to collectively undertake the above actions has been sought through Budget 2022. Funding will be required to effectively monitor and report on the plan regardless of the institutional form collective Chief Executives take. Existing resource is not sufficient to undertake monitoring of the plan’s implementation and effectiveness in addition to developing policy for corrective action.
- 14 To support the proposals in this paper, I also recommend the Ministry for the Environment produce guidance for agencies on how to address climate objectives, and how to review the climate impacts of their policies.
- 15 This will support understanding of climate impacts at the policy level and strengthen processes for reviewing climate impacts of proposed policy. This work could be undertaken alongside the proposed review of the Climate Impacts of Policy Assessment, beginning in July 2022.

## Background

- 16 Subject to Cabinet's final agreement, the first emissions reduction plan (the plan) will be published in May 2022. Publication represents a milestone for reducing New Zealand's emissions in the long term, and a shift in focus from policy development to implementation.
- 17 Cabinet has previously agreed:
- 17.1 that strong governance and accountability mechanisms are needed to keep the plan on track and ensure that any corrective actions can be taken with high priority and urgency
  - 17.2 that sector sub-targets be used to measure the progress of each sector towards meeting the emissions reduction plan
  - 17.3 to set the sub-targets for the first emissions budget period [CAB-21-MIN-0320.01 refers].
- 18 The Climate Response Ministerial Group, supported by the CE Board, has been providing governance and management of the development of the first emissions reduction plan.
- 19 The first National Adaptation Plan will also be published by August 2022. Cabinet will need to take decisions on how the plan is to be implemented.

## Analysis

*Implementing emissions reduction plans and meeting emissions budgets represents a challenge across government*

- 20 The emissions reduction plan will be a "collection of policies and strategies for meeting the emissions budget" (Climate Change Response Act section 5ZG1). The plan will include sector-specific policies as well as a cross-sector strategy, and strategies to mitigate impacts across New Zealand, including on iwi/Māori, employers, employees and communities.
- 21 Meeting successive emissions budgets and delivering emissions reduction plans will require ongoing, active management across multiple government agencies. Management will need to respond to innovation opportunities, uncertainties about how New Zealand's emissions will change over time, the impacts of policies on society and the economy, and will need to provide for corrective action to be undertaken where it is required.
- 22 Many of the actions in the plan will align neatly with existing portfolio responsibilities, and individual Chief Executives are proven to deliver in these situations. I recommend establishing a responsibility for individual Chief Executives to report on progress towards assigned sub-targets and provide advice on sectoral 'overs and unders' (over-shooting or underperforming against sub-targets).

IN CONFIDENCE

- 23 This will encourage agencies to consider the climate impacts of their overall work programme. It will also improve understanding of how other programmes unrelated to the plan may affect progress towards sub-targets.
- 24 However, there will also be a need for collective action where initiatives cut across portfolios, and in the management of the plan. Existing institutional arrangements are not well-suited to addressing cross-cutting issues that affect multiple portfolios, and system capacity to consider climate impacts is limited. Many approaches to reducing emissions have implications for biodiversity and human wellbeing.
- 25 Strong governance and accountability mechanisms are needed to support a whole-of-government approach to ensure that policies are enacted, opportunities and risks within and across sectors are identified in a timely manner, and there is a mechanism through which strategic choices can be made across relevant portfolios.

*Accountability will be primarily driven by timely, transparent, and robust monitoring and reporting, and effective governance*

- 26 Existing emissions reporting is internationally focused, with New Zealand producing reports under Articles 4 and 12 of the United Nations Framework Convention on Climate Change (UNFCCC), Article 13.7 of the Paris Agreement, and historically, Article 7.1 of the Kyoto Protocol. Collectively these reports comprise the New Zealand Greenhouse Gas Inventory (the Inventory) as defined in the Climate Change Response Act 2002 (the Act). These reports have two key shortfalls that affect their usefulness for domestic-focused reporting:
- 26.1 The Inventory does not provide a real-time snapshot of New Zealand's emissions. The UNFCCC reports under the Inventory are produced with a delay of 16 months. This is to provide time for countries to collect and process data and prepare submissions. It is produced annually in April. The Paris Agreement reports under the Inventory will be produced biennially, from 2024.
- 26.2 In addition, the Inventory only measures New Zealand's emissions at the national level. While some sector-level information is included, there is no data held at the policy package level. This means the Inventory does not report on the effects individual emissions-reducing policies have on New Zealand's emissions.
- 27 The Act requires monitoring and annual progress reporting by the Climate Change Commission against emissions budgets. The Commission must publish its report using data from the Inventory within three months of its release. Given the 16-month delay on the UNFCCC reports, and the biennial nature of the Paris reports, the Commission's progress reporting will always be using data that is not current at the time of publication.
- 28 There is also a significant gap in time before reporting from the Commission will start to review the impacts the plan has had on emissions. The

IN CONFIDENCE

Commission's initial report will be published three months after the 2024 Inventory is published and is likely to be based on 2022 data. As 2022 is the base-year for the plan, this report is unlikely to measure any effect the plan's policies have on New Zealand's emissions. The first report which could provide insight into the measurable effect the plan has had on emissions would be published in July 2025.

- 29 This means that while the Commission's reports are a useful independent check on the Government, they will not provide the timely information or the level of detail needed for Government to flexibly manage progress towards a plan.
- 30 In addition to annual reporting, the Commission must also prepare an evaluation report at the end of each emissions budget period. This report could be an opportunity to revisit the sub-sector split in light of new evidence about where abatement opportunities exist. This would encourage a dynamic approach towards the use of sector sub-targets and would provide a formal avenue for sector engagement.
- 31 New monitoring and reporting requirements will be able to provide something closer to a real-time update on progress at policy, sector and economy-wide levels. This will enable the Board to assess how the Government is tracking on the implementation and effectiveness of the plan and what policy changes are needed to remain on track.
- 32 Periodic reporting will be needed to understand progress and provide for active management of the plan. The table below sets out a proposed outline for what the monitoring and reporting framework could cover.

s 9(2)(f)(iv)



Proactively released under the Official Information Act 1982

33

s 9(2)(f)(iv)



34 Setting up domestic reporting requirements will require significant coordination and resources across all agencies that would report on progress of the plan – s 9(2)(f)(iv)

35 s 9(2)(f)(iv)

36 I recommend that the monitoring reports on the plan, sub-targets, and implementation should be published by the collective Chief Executives. Accountability for progress towards emissions budgets can be bolstered by increasing transparency on progress to the public. This will support public engagement on climate action and provide for scrutiny from opposition parties through avenues such as Parliamentary Questions.

37 s 9(2)(f)(iv)

38 New climate change reporting should also augment the existing climate reporting system and provide the depth of timely information needed to proactively manage progress on the plan. More detail on the proposed monitoring system is set out below.

*New policy and monitoring functions are needed to support the ongoing implementation of emissions reduction plans*

39 Meeting successive emissions budgets will require implementation of the committed actions in the plan, as well as active management of progress towards emissions budgets. This will include existing policy functions agencies are already resourced for, as well as new functions that may require additional support.

40 Implementing committed actions in the plan will require:

40.1 delivering committed policy (existing agency function)

40.2 Ongoing and transparent monitoring of implementation and reporting (proposed new function)

41 Actively managing progress will require:

41.1 Understanding the contributions to emissions reductions anticipated from each sector of the economy (existing function via sector sub-targets)



**IN CONFIDENCE**

- 41.2 Understanding progress at the economy, sector, and policy package levels (proposed new effectiveness monitoring function, with public reporting)
- 41.3 Identifying opportunities and risks within sectors, and developing corresponding policy (existing agency function)
- 41.4 Identifying opportunities and risks across the plan, for example from a nature-based solutions perspective (proposed new policy advice function)
- 41.5 Taking corrective action where needed by developing new policy for implementation (proposed new policy advice function)
- 42 The proposed system requires new implementation and effectiveness monitoring and a central policy advice function, alongside existing agency functions.
- 43 The CE Board has been providing the central policy advice role described above in relation to the preparation of the plan, and I recommend the CE Board retains this role in respect of implementation. New policy implementation and effectiveness monitoring functions will need to be established to support the CE Board in this role.

*Accountabilities need to be clearly defined*

- 44 Agencies are well placed to implement policy in their existing remits, but some form of collective accountability will be essential to support the cross-government action needed to achieve emissions budgets.
- 45 To support accountability within portfolios, I recommend Cabinet assigns:
  - 45.1 Individual Ministers accountable for delivering relevant agreed actions with accountability set out in the plan
  - 45.2 Individual Ministers accountable for making decisions consistent with relevant sub-targets and cross-cutting themes in the plan
  - 45.3 Individual Chief Executives accountable for implementing relevant agreed actions, with accountability set out in the plan, to their respective Ministers.
  - 45.4 Individual Chief Executives accountable for reporting and advising on relevant sub-targets to their respective Ministers.
  - 45.5 Where individual actions cut across portfolio responsibilities, I recommend Cabinet assigns a lead Minister and Chief Executive. I propose individual accountabilities for actions be agreed alongside the final content of the plan.
- 46 Accountability within portfolios should be supported by accountability across the plan.

IN CONFIDENCE

- 47 When I refer to “accountability” above, I am referring to making Ministers publicly accountable for progress towards sub-sector targets and committed actions included in the plan. I would expect Ministers and Chief Executives to also be undertaking a leadership role across their broader sector through setting ambitious policies. Individual Chief Executives continue to be formally accountable to their Ministers.
- 48 I recommend the CE Board be accountable collectively for coordinating, monitoring, and reporting on the implementation status and outcomes of the plan, including against sector sub-targets.
- 49 The CE Board would advise Ministers on the progress and effectiveness of the plan, including the identification of any shortfall or overshoot of sector sub-targets, how abatement efforts are tracking as a whole and what corrective actions could be taken to support emissions budgets to be met.
- 50 I recommend the Climate Response Ministerial Group retains its role overseeing the implementation of the plan and note that collective Cabinet responsibility will be essential for the success of the plan.
- 51 Table 2 below sets out the roles in the proposed new arrangements, with the new functions highlighted in italics. Where functions do exist, I note that establishing an accountability and monitoring framework for the plan may constitute a significant expansion. For example, current policy effectiveness monitoring is ad hoc and limited across agencies. It would require enhancements to meet new reporting requirements.

**IN CONFIDENCE**

**Table 2. Selected roles and functions of Cabinet, Ministers, the Climate Change Commission, the CE Board and Individual Chief Executives in relation to emissions budgets and reduction plans**

Party	Relevant function
Cabinet	<ul style="list-style-type: none"> <li>• Approving policy basis for emissions budgets</li> <li>• Approving policy content of emissions reduction plan</li> <li>• Setting strategic policy that cuts across portfolios</li> <li>• Setting sector sub-targets in respect of individual Minister's portfolios</li> <li>• Setting sector sub-targets in respect of individual Minister's portfolios</li> </ul>
Minister of Climate Change	<ul style="list-style-type: none"> <li>• Responding to Climate Change Commission's advice on emissions budgets and policy direction to achieve them</li> <li>• Setting emissions budgets</li> <li>• Ensuring emissions budgets are met</li> <li>• Preparing and publishing emissions reduction plans</li> </ul>
Individual Ministers	Being responsible to Cabinet for implementing Government climate policy within their portfolio, including in relation to any sector sub-target
Climate Change Commission	Carrying out independent statutory advisory and monitoring functions under the Act including: <ul style="list-style-type: none"> <li>• Advising the Minister of Climate Change in relation to emissions budgets</li> <li>• Advising the Minister of Climate Change on the policy direction required to achieve emissions budgets</li> <li>• Publishing annual monitoring report using data from the NZ Greenhouse Gas Inventory</li> </ul> Preparing an evaluation report at the end of each emissions budget period
The "appropriate Minister" for the Climate Change Chief Executives Board	Being responsible to Cabinet for the operation and performance of the Climate Change Chief Executives Board
Climate Change Chief Executives Board	Being responsible to the appropriate Minister for: <ul style="list-style-type: none"> <li>• coordinating the implementation of the plan (including sector sub-targets) across portfolios</li> <li>• monitoring and reporting on overall progress towards achieving the plan (including sector sub-targets)</li> <li>• advising on how to respond to results of monitoring and reporting, including how to manage 'overs and unders'</li> <li>• Publish monitoring reports on the plan, sub-targets, and implementation</li> <li>• Continue to undertake all existing functions of the Cabinet mandated Climate Change Chief Executives Board</li> </ul>
Individual departmental Chief Executives	Being responsible to their Minister for: <ul style="list-style-type: none"> <li>• Implementing Government climate policy relevant to their departmental responsibilities</li> <li>• Advising on and monitoring effectiveness of climate policy relevant to their departmental responsibilities</li> <li>• Implementing the aspects of the emissions reduction plan relevant to their departmental responsibilities</li> <li>• Advising on whether new policy is consistent with any relevant sector sub-target</li> <li>• Reporting on progress towards meeting any relevant sector sub-target</li> </ul>

52 This paper seeks agreement on the agencies and Ministers who will be responsible for delivering on these sector sub-targets. These are set out in Table 3 below.

53 I note that while only 6 portfolios are reflected below, the plan has economy-wide implications. These are the core sectors where we measure our emissions, but interventions are being proposed in other cross-cutting areas as outlined in the plan. Examples include planning and infrastructure, circular and bioeconomy, equitable transition, and nature-based solutions. Many of these actions will help to reduce emissions in core sectors.

**Table 3. Responsibility for the sector sub-targets**

<b>Sector</b> (All gases, net (AR5) <sup>1</sup> , expressed in MtCO <sub>2</sub> -e)	<b>Emissions budget #1</b> <b>(2022-2025)</b>	<b>Emissions budget #2</b> <b>(2026-2030)</b>	<b>Emissions budget #3</b> <b>(2031-2035)</b>	<b>Relevant agency or agencies</b>	<b>Responsible Minister</b>
Transport Energy	65.9	76.0	56.8	Ministry of Transport	Minister of Transport
Energy and Industry	70.1	72.8	63.3	Ministry of Business, Innovation and Employment	Minister of Energy and Resources
Agriculture	159.4	191.0	183.0	Ministry for Primary Industries	Minister of Agriculture
Waste	13.7	14.9	12.7	Ministry for the Environment	Minister for the Environment
F-gases	6.8	7.5	5.9	Ministry of the Environment	Minister for the Environment
Forestry	(24.9)	(55.2)	(79.6)	Ministry for Primary Industries	Minister of Forestry
<b>Total<sup>2</sup></b>	<b>292.0</b>	<b>307.0</b>	<b>242.0</b>	<b>Climate Change Chief Executives</b>	<b>Prime Minister</b>

*Governance: formalising the CE Board as an Interdepartmental Executive Board*

54 There are options to build on current institutional arrangements to support implementation of the plan, clarify how collective public sector accountability for the plan can be effectively managed, and facilitate the ongoing decisions needed to manage progress and keep on track.

54.1 Formalising the CE Board as an Interdepartmental Executive Board under the Public Service Act 2020, which would deliver more formal arrangements for the development of cross-cutting policy advice (recommended) or

54.2 Updating the CE Board's existing Cabinet mandate to provide for implementation of the plan and make the CE Board responsible to one Minister (not recommended).

55 Previous experience with cross-agency work indicates that effective collaboration through informal arrangements can be hard to facilitate and sustain over time due to the strong vertical accountabilities between agencies and Ministers. The Public Service Act 2020 provides for a new collaborative vehicle to deliver more formal arrangements for the development of cross-cutting policy advice – the Interdepartmental Executive Board (IEB).

IN CONFIDENCE

- 56 An IEB allows for multiple existing departmental Chief Executives to be made responsible to a Minister or group of Ministers. The same formal legal responsibilities that exist between individual departments and their Ministers under the Public Service Act 2020 apply to the Chief Executives jointly. These responsibilities would mean that an IEB would incur administrative costs. It is anticipated that these reporting costs can be met within baselines.
- 57 Formalisation of the existing CE Board structure could increase agency prioritisation of emissions reduction plan actions and improve delivery of the emissions reduction plan as a result. It would be an institutional lever for formalising the priority accorded to emissions reduction and provide a clear signal to Chief Executives and their agencies.
- 58 Formalising collective responsibility may also improve coordination on issues which do not have an obvious home agency, such as the circular economy and bioeconomy strategy and the equitable transition strategy as these are best developed with a cross-agency lens. If formalised as an IEB, the IEB could potentially direct its secretariat to prepare and coordinate advice on such matters.
- 59 The CE Board has worked well to support development of the plan under its current Cabinet mandate. But the long-term challenge we face now means that we need a more formal structure to support Ministers to understand the overall picture across the plan and manage trade-offs.
- 60 The functions of the IEB will be to:
- 60.1 Advise Ministers on progress against the sector sub-targets outlined in the plan
  - 60.2 Coordinate the implementation of the emissions reduction plan (including sector sub-targets) across portfolios, with a focus on cross-cutting policy issues that do not have an obvious home agency
  - 60.3 Advise on how to respond to results of monitoring and reporting, including how to manage 'overs and unders'
  - 60.4 Publish monitoring reports on the plan, sub-targets, and implementation
  - 60.5 Continue to undertake all existing functions of the Cabinet mandated Climate Change Chief Executives Board – the existing terms of reference of the CE Board is attached as Appendix 1. This includes overseeing and guiding policy advice, coordinating implementation and monitoring of the broader climate change work programme.
- 61 The IEB is not able to be made accountable for the implementation of the plan without effectively making the relevant Minister responsible for implementation across all relevant agencies and sectors.
- 62 The Joint Venture for Family Violence and Sexual Violence has navigated this by making its Board responsible for coordinating, monitoring, and reporting on


IN CONFIDENCE

implementation to the appropriate Minister, with individual Chief Executives still responsible for implementing actions that apply to their agency. The proposal in this paper mirrors this approach.

- 63 While changing the institutional form of the Board will deliver strong benefits, we note that the key determinant that will drive the success of the emissions reduction plan is ensuring that the plan continues to be a government priority. Chief Executives' work programmes and priorities are determined by their Minister(s), so the success of a collective CE Board is reliant on strong and clear Ministerial direction.
- 64 The main drawback of the IEB structure is the additional administrative cost of its setup and operation. On balance, we consider that these costs are justified – an IEB would complement our recommendation to hold Chief Executives collectively accountable for the whole programme.
- 65 Regardless of whether we elect to formalise the CE Board as an IEB or continue with an enhanced status quo, Chief Executives will need to be well supported with advice on policy across the plan (for example 'overs and unders' between sectors). They will also need robust and timely monitoring information on the implementation and effectiveness of the plan. Additional funding to resource policy advice and monitoring functions for the plan has been sought through Budget 22.
- 66 I recommend Cabinet agree to establish an IEB to oversee implementation of the plan.

*Specifics of the IEB proposal – agencies within the remit of the IEB and servicing department*

- 67 Like a public service department, an IEB is an administrative unit of the Crown and part of the public service. An IEB is established by Order in Council under the Public Service Act, in the same way that departments are established. An IEB can employ staff under the Public Service Act and administer appropriations under the Public Finance Act 1989. The IEB is responsible for setting and publishing its own operating procedures, such as the processes for decision-making.
- 68 The Order in Council specifies a remit for the IEB, which comprises the agencies relevant to the IEB's work. We propose that the remit of the IEB include the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Department of Conservation, the Ministry of Social Development, the Treasury, the Ministry of Housing and Urban Development, the Ministry of Foreign Affairs and Trade, the Ministry of Transport, and the Ministry of Primary Industries.

- 69 s 9(2)(f)(iv)
- 

IN CONFIDENCE

s 9(2)(f)(iv)

70 The membership of the IEB (including the Chair) is designated by the Public Service Commissioner from the remit of the IEB, in consultation with Ministers, and in accordance with the Public Service Act.

71 The profile of the plan and emissions budgets will change over time. s 9(2)(f)(iv) This will mean that the member agencies of the IEB may need to change over time.

72 To ensure that the mechanism for reviewing or changing IEB membership is agile, we recommend that the Public Service Commissioner should review membership periodically. The board is also free to invite other agencies (e.g. Te Puni Kōkiri, the Department of Internal Affairs) to participate on an ad hoc basis. Crown agencies cannot be included as members, so I recommend that relevant Crown Entities' Chief Executives (e.g. the Energy Efficiency and Conservation Authority, the Infrastructure Commission, Waka Kotahi) be invited at times as observers.

73 Under the Public Service Act 2020, the members of an IEB are jointly responsible to an appropriate Minister.

74 The appropriate Minister for the board is a matter for the Prime Minister to determine, and I discussed this with her and confirmed that she intends that the Board will owe its responsibilities to the Prime Minister directly. This will send a strong signal to Chief Executives that the progress of the plan is a Government priority. It also will mirror the structure of the Climate Response Ministerial Group, of which the Prime Minister is the Chair.

75 The Order in Council establishing an IEB also identifies a servicing department for the IEB (the agency which will provide the IEB with corporate support and assist it in discharging any administrative responsibilities). We propose that the Ministry for the Environment be so identified.

76 s 9(2)(f)(iv)

77 If Cabinet elects to maintain the CE Board as a Cabinet mandated Board, we will need to update its terms of reference to reflect its new role in relation to the implementation of the plan. In this case, I will seek Cabinet approval for updated terms of reference for the CE Board alongside other decisions on the emissions reduction plan in April 2022.

*Agencies are likely to need support to better understand climate impacts across all government activity*

78 Access to specialised climate policy expertise and understanding of climate impacts is not consistent across government. To address this, we recommend developing centralised guidance for agencies on how to address climate objectives and how to review policies' climate impacts.

79 There are already tools that support decarbonisation of the public sector and elevate the importance of climate objectives, such as the Carbon Neutral Government Programme<sup>1</sup>, Government Procurement Rules<sup>2</sup> and the Climate Implications of Policy Assessment (CIPA).

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

81 s 9(2)(f)(iv) [Redacted]. We propose that work on producing guidance on how to address climate objectives in agency strategies and policies should commence in July 2022 alongside this review. Guidance will be developed with reference to the Carbon Neutral Government Programme (CNGP), Government Procurement Rules s 9(2)(f)(iv) [Redacted] to ensure that the guidance is consistent, addresses gaps and does not create duplication.

<sup>1</sup> The CNGP already supports this shift by requiring all Crown agents to measure, report and reduce their emissions in line with a 1.5°C pathway from 2022/2023 onwards. There are likely to be opportunities to update these requirements in time, for example to strengthen climate change direction and bring further Crown entities and Crown-owned companies into the CNGP.

<sup>2</sup> Changes to Government Procurement Rules place a greater emphasis on using government procurement to support wider social, economic, cultural, and environmental outcomes and go beyond the immediate purchase of goods and services. Supporting the transition to a net-zero-emissions economy is an explicit priority and requires agencies to contribute by procuring sustainable goods and services.



**Financial Implications**

82 While there are no direct financial implications of setting sector sub-targets or clarifying Ministerial and agency accountability, there are costs to develop the associated monitoring and accountability framework.

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

[Redacted]

[Redacted]

[Redacted]

87 The “Emissions Reduction Plan Performance Monitoring” bid is a cross-agency initiative s 9(2)(f)(iv) [Redacted]. The agencies involved are the Ministry for the Environment, the Department of the Prime Minister and Cabinet, and the Treasury. Funding is sought to resource a secretariat for collective Chief Executives, and sufficient central agency support to separately monitor implementation and effectiveness if desired.

88 New resourcing would be required regardless of whether collective Chief Executives continue as a Cabinet mandated Board or as an IEB, because Chief Executives will need to undertake new functions and extend existing functions to effectively monitor and implement the plan.

89 Currently, agencies are only resourced to develop the policies and strategies included in the plan. As the plan progresses, agencies will need to monitor progress, implement policy, and develop new policy in response to ‘overs and unders’ across sectors.

90 Continuing without additional funding would mean monitoring of the plan would be light-touch only, and would result in a higher reliance on external

Proactively released under the Official Information Act 1982

monitoring from the Commission, which cannot provide timely monitoring insights to support adaptive management.

- 91 Funding is being sought from the up-coming budget cycle to ensure that the monitoring and accountability functions can be launched alongside the plan. Many initiatives driving actions listed in the plan are also being funded from the CERF in Budget 2022, so funding the monitoring function simultaneously will ensure that the plan is being effectively monitored from the outset.

### **Legislative Implications**

- 92 The Interdepartmental Executive Board must be established by an Order in Council if Cabinet agrees to establish it.

### **Impact Analysis**

#### *Regulatory Impact Statement*

- 93 Treasury's Regulatory Impact Analysis team has determined that the proposal to formalise the Climate Change Chief Executives Board, as an Interdepartmental Executive Board under the Public Service Act 2020 to support the implementation of the Emissions Reduction Plan, is exempt from the requirement to provide a Regulatory Impact Statement. This involves changes to the internal administrative or governance arrangements of the New Zealand government and is expected to have no or minor impacts on businesses, individuals, or not for profit entities. Any future regulatory changes proposed by the Interdepartmental Executive Board that require Cabinet decisions will be subject to Cabinet's impact analysis requirements.

#### *Climate Implications of Policy Assessment*

- 94 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as there is no direct emissions impact. However, it's likely that the decisions in the paper will influence how the plan itself is managed over time which will likely support the plan's overall effectiveness.

### **Population Implications**

- 95 The emissions reduction plan includes further information on the distributional impacts of policies and measures within the scope of the plan and will include a response to the Commission's recommendation to develop a comprehensive Equitable Transition Strategy.

### **Te Tiriti o Waitangi**

- 96 Further work will be undertaken to determine how collective Chief Executives can align and support partnership with Māori. One potential avenue is to make the IEB the Government partnership point for the Māori climate platform's Partnership and Representation workstream. The IEB could work with the interim Māori climate Ministerial advisory group to provide collaborative advice

to Ministers. [Emissions reduction plan: Te Tiriti o Waitangi and the role of Māori in the transition, to be considered alongside refers].

### Human Rights

- 97 There are no inconsistencies between these proposals and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

### Consultation

- 98 The following agencies were consulted in the development of this paper: Ministry of Business, Innovation and Employment, the Treasury; the Public Service Commission; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Energy, Efficiency and Conservation Authority; Ministry of Social Development; Ministry of Transport; Waka Kotahi – New Zealand Transport Agency; Te Tūāpapa Kura Kāinga– Ministry of Housing and Urban Development; Department of Prime Minister and Cabinet; Te Puni Kōkiri; and Te Arawhiti.
- 99 The Ministry of Business, Innovation and Employment considers that the proposed IEB should also assume responsibility for issues that cut across the emissions reduction plan as well as long term, strategic issues. The IEB's configuration and resourcing should reflect this mandate.

### Communications

- 100 The Ministry for the Environment is working to develop a communications plan for announcements relating to the emissions reduction plan in early 2022, dependent on Cabinet decisions and aligning with announcements on Budget 2022.

### Proactive Release

- 101 I propose that this paper is proactively released on the Ministry for the Environment's website after the emissions reduction plan and emissions budgets have been agreed and published in 2022, subject to redactions in keeping with the principles of the Official Information Act 1982.

### Recommendations

The Minister of Climate Change recommends that the Committee:

- 1 **note** that in August 2021, Cabinet agreed in principle to broadly accept the Climate Change Commission's (the Commission) advice on emissions budgets based on its assessment that the emissions budgets were ambitious but achievable, with potential modifications to revise forestry projections and the use of offshore mitigation [CAB-21-MIN-0320.01];
- 2 **agree** to accept the following Climate Change Commission recommendations in full:

IN CONFIDENCE

- 2.1 To nominate specific Ministers and agencies with accountability for implementing policies and strategies in the emissions reduction plans in line with emissions budgets (recommendation 9.1)
- 2.2 To provide consistent signalling across investments, policy statements, direction to officials, internal policies, and directives to ensure that all regulatory and policy frameworks and decisions are aligned with low emissions and climate resilient objectives (recommendation 9.4)
- 2.3 To require Crown agencies, entities, and Crown-owned companies to include climate change as part of their decision making. The Commission noted that this should be a particular focus for long-lived investments, such as housing and transport infrastructure, to help achieve emissions reduction and climate-resilience objectives, and should include embodied emissions (recommendation 12.4)

3 **note** that Cabinet has previously agreed:

- 3.1 that strong governance and accountability mechanisms are needed to keep the emissions reduction plan on track and ensure that any corrective actions can be taken with high priority and urgency;
- 3.2 that sector sub-targets be used to measure the progress of each sector towards meeting the emissions reduction plan;
- 3.3 to set the sub-targets for the first emissions budget period [CAB-21-MIN-0320.01 refers]

4 **note** that timely, robust, and transparent monitoring and reporting will be essential to support the active management of the emissions reduction plan and accountability for its delivery

5 s 9(2)(f)(iv)

6 **direct** the Minister of Climate Change to return to Cabinet in April 2022 with a proposal outlining reporting requirements, to be included in the emissions reduction plan

7 **note** that implementation of the first emissions reduction plan will require coordination of effort across relevant agencies

8 **agree** that the Climate Change Response Ministerial Group will oversee the progress of the emissions reduction plan

9 **agree** to nominate relevant Ministers and public sector Chief Executives to each action included in the emissions reduction plan

10 **agree** to nominate relevant Ministers and public sector Chief Executives to oversee progress against each sub-target, as follows:

IN CONFIDENCE

Proactively released under the Official Information Act 1982

I N C O N F I D E N C E

Sector (All gases, net (AR5) <sup>1</sup> , expressed in MtCO <sub>2</sub> -e)	Emissions budget #1 (2022-2025)	Emissions budget #2 (2026-2030)	Emissions budget #3 (2031-2035)	Relevant agency or agencies	Responsible Minister
Transport Energy	65.9	76.0	56.8	Ministry of Transport	Minister of Transport
Energy and Industry	70.1	72.8	63.3	Ministry of Business, Innovation and Employment	Minister of Energy and Resources
Agriculture	159.4	191.0	183.0	Ministry for Primary Industries	Minister of Agriculture
Waste	13.7	14.9	12.7	Ministry of the Environment	Minister for the Environment
F-gases	6.8	7.5	5.9	Ministry of the Environment	Minister for the Environment
Forestry	(24.9)	(55.2)	(79.6)	Ministry for Primary Industries	Minister of Forestry
<b>Total<sup>2</sup></b>	<b>292.0</b>	<b>307.0</b>	<b>242.0</b>	<b>Climate Change Chief Executives</b>	<b>Prime Minister</b>

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

12 **agree** to develop guidance to help government agencies, Crown agencies, Crown entities and Crown-owned companies to consider climate change objectives in their decision-making

13 **agree** to formalise the Climate Change Chief Executives Board as an Interdepartmental Executive Board under the Public Service Act 2020. The functions of the Board will be to:

- 13.1 **coordinate** implementation of cross-agency actions and strategies in the emissions reductions plan;
- 13.2 **advise** Ministers on progress against the sector sub-targets outlined in the plan, coordinating the implementation of the emissions reduction plan (including sector sub-targets) across portfolios;
- 13.3 **monitor** and report on overall progress towards achieving the emissions reduction plan (including sector sub-targets);
- 13.4 **advise** on how to respond to results of monitoring and reporting, including how to manage overs and unders’;
- 13.5 **publish** monitoring reports on plan, sub-targets, and implementation;
- 13.6 **undertake** all existing functions of the Cabinet mandated Climate Change Chief Executives Board

IN CONFIDENCE

- 14 **agree** that the IEB will be named the Climate Change Chief Executives Board (the Board) and the remit of the Board will include the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Department of Conservation, the Ministry of Social Development, the Ministry of Housing and Urban Development, the Treasury, the Ministry of Foreign Affairs and Trade, the Ministry of Transport, and the Ministry of Primary Industries
- 15 **note** that the Public Service Commissioner will designate the membership of the Board from within the Board's remit, including Chair, following consultation with Ministers
- 16 **note** that the Public Services Commissioner may review membership periodically
- 17 **note** that the members of the Interdepartmental Executive Board will be jointly responsible to the Prime Minister
- 18 **invite** the Minister for the Public Service to instruct Parliamentary Counsel Office to draft an Order in Council to establish a new IEB named the Climate Change Chief Executives Board, with the Ministry for the Environment as its servicing department, by adding an item to Part 3 of Schedule 2 of the Public Service Act 2020 and Schedule 1B of the Ombudsmen Act 1975.

Authorised for lodgement

Hon James Shaw

Minister for Climate Change

**Appendix 1: Existing Climate Change Chief Executive Board Terms of Reference**

Proactively released under the Official Information Act 1982





# Cabinet

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Emissions Reduction Plan: Government Accountability and Coordination

**Portfolio**      **Climate Change**

On 7 March 2022, following reference from the Cabinet Economic Development Committee, Cabinet:

- 1      **noted** that on 23 August 2021, Cabinet agreed in principle to broadly accept the Climate Change Commission's (the Commission) advice on emissions budgets based on its assessment that the emissions budgets were ambitious but achievable, with modifications to revise forestry projections and the use of offshore mitigation [CAB-21-MIN-0320.01];
- 2      **agreed** to accept the following Climate Change Commission recommendations in full:
  - 2.1      to nominate specific Ministers and agencies with accountability for implementing policies and strategies in the emissions reduction plan in line with emissions budgets (recommendation 9.1);
  - 2.2      to provide consistent signalling across investments, policy statements, direction to officials, internal policies, and directives to ensure that all regulatory and policy frameworks and decisions are aligned with low emissions and climate resilient objectives (recommendation 9.4);
  - 2.3      to require Crown agencies, entities, and Crown-owned companies to include climate change as part of their decision making. The Commission noted that this should be a particular focus for long-lived investments, such as housing and transport infrastructure, to help achieve emissions reduction and climate-resilience objectives, and should include embodied emissions (recommendation 12.4);
- 3      **noted** that on 23 August 2021, Cabinet agreed:
  - 3.1      that strong governance and accountability mechanisms are needed to keep the emissions reduction plan on track and ensure that any corrective actions can be taken with high priority and urgency;
  - 3.2      that sector sub-targets be used to measure the progress of each sector towards meeting the emissions reduction plan;
  - 3.3      to set the sub-targets for the first emissions budget period;

[CAB-21-MIN-0320.01]

4 **noted** that timely, robust, and transparent monitoring and reporting will be essential to support the active management of the emissions reduction plan and accountability for its delivery;

5 s 9(2)(f)(iv)

6 **directed** the Minister of Climate Change to report to Cabinet in April 2022 with a proposal outlining the reporting requirements, to be included in the emissions reduction plan;

7 **noted** that implementation of the first emissions reduction plan will require coordination of effort across relevant agencies;

8 **agreed** that the Climate Change Response Ministerial Group will oversee the progress of the emissions reduction plan;

9 **agreed** to nominate relevant Ministers and public sector Chief Executives to each action included in the emissions reduction plan;

10 **agreed** to nominate relevant Ministers and public sector Chief Executives to oversee progress against each sub-target, as follows:

Sector (All gases, net (AR5), expressed in MtCO <sub>2</sub> -e)	Emissions budget #1 (2022-2025)	Emissions budget #2 (2026-2030)	Emissions budget #3 (2031-2035)	Relevant agency or agencies	Responsible Minister
Transport Energy	65.9	76.0	56.8	Ministry of Transport	Minister of Transport
Energy and Industry	70.1	72.8	63.3	Ministry of Business, Innovation and Employment	Minister of Energy and Resources
Agriculture	159.4	191.0	183.0	Ministry for Primary Industries	Minister of Agriculture
Waste	13.7	14.9	12.7	Ministry of the Environment	Minister for the Environment
F-gases	6.8	7.5	5.9	Ministry of the Environment	Minister for the Environment
Forestry	(24.9)	(55.2)	(79.6)	Ministry for Primary Industries	Minister of Forestry
<b>Total</b>	<b>292.0</b>	<b>307.0</b>	<b>242.0</b>	<b>Climate Change Chief Executives</b>	<b>Prime Minister</b>

11 s 9(2)(f)(iv)

12 **agreed** to develop guidance to help government agencies, Crown agencies, Crown entities and Crown-owned companies to consider climate change objectives in their decision-making;

**Interdepartmental Executive Board**

- 13 agree to formalise the Climate Change Chief Executives Board as an Interdepartmental Executive Board under the Public Service Act 2020, with the following functions:
- 13.1 coordinate the implementation of cross-agency actions and strategies in the emissions reductions plan;
  - 13.2 advise Ministers on progress against the sector sub-targets outlined in the plan, and coordinate the implementation of the emissions reduction plan (including sector sub-targets) across portfolios;
  - 13.3 monitor and report on overall progress towards achieving the emissions reduction plan (including sector sub-targets);
  - 13.4 advise on how to respond to results of monitoring and reporting, including how to manage 'overs and unders';
  - 13.5 publish monitoring reports on plan, sub-targets, and implementation;
  - 13.6 undertake all existing functions of the Cabinet mandated Climate Change Chief Executives Board;
- 14 **agreed** that the Interdepartmental Executive Board be named the Climate Change Chief Executives Board (the Board), and that the remit of the Board include the:
- 14.1 Ministry for the Environment;
  - 14.2 Ministry of Business, Innovation and Employment;
  - 14.3 Department of Conservation;
  - 14.4 Ministry of Social Development;
  - 14.5 Ministry of Housing and Urban Development;
  - 14.6 Treasury;
  - 14.7 Ministry of Foreign Affairs and Trade;
  - 14.8 Ministry of Transport;
  - 14.9 Ministry for Primary Industries;
- 15 **noted** that the Public Service Commissioner will designate the membership of the Board from within the Board's remit, including the Chair, following consultation with Ministers;
- 16 **noted** that the Public Services Commissioner may review membership periodically;
- 17 **noted** that the members of the Interdepartmental Executive Board will be jointly responsible to the Prime Minister;

**Legislative implications**

- 18 **invited** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office to draft an Order in Council to establish a new Interdepartmental Executive Board, named the Climate Change Chief Executives Board, with the Ministry for the Environment as its servicing department, by adding an item to Part 3 of Schedule 2 of the Public Service Act 2020 and Schedule 1B of the Ombudsmen Act 1975.

Michael Webster  
Secretary of the Cabinet

*Secretary's Note:* This minute replaces DEV-22-MIN-0019. Cabinet deleted paragraph 10 from the DEV minute.

Proactively released under the Official Information Act 1982