

# Accountability and governance for the implementation of the emissions reduction plan

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| Security Level  | Policy and Privacy<br>In-Confidence | MfE Priority:       | Not Urgent |

|  |   |                     |
|--|---|---------------------|
|  | <b>Action sought:</b>   | <b>Response by:</b> |
| Hon James SHAW, Minister of Climate Change | Feedback on proposed approach to accountability and governance of the ERP | 20 September 2021   |

|  |   |
|--|---|
| Actions for Minister's Office Staff    | <b>Return</b> the signed report to MfE. |
| Number of appendices and attachments # | 1. International examples               |

## Key contacts

| Position            | Name          | Cell phone | 1st contact |
|---------------------|---------------|------------|-------------|
| Principal Author    | Lewis Stevens | s 9(2)(a)  | ✓           |
| Responsible Manager | Mark Storey   |            |             |
| Director            | Lisa Daniell  |            |             |

# Accountability and governance for the implementation of the emissions reduction plan

## Key Messages

Over the long term, successful implementation of the Emissions Reduction Plan (plan) will require:

- a. Strong and effective accountability for the actions and outcomes in the plan across Ministers and departments
- b. Clear, effective and efficient governance to drive implementation of the plan
- c. Timely, transparent and robust monitoring and evaluation, to underpin strong accountability and good governance
- d. A mechanism to deliver cross-government work.

The Climate Response Ministers Group is providing a strong imperative for the development of the plan through the seniority of its chair, and its regular meetings. This group, or a similar one, will be essential to guide ongoing decision-making on the plan.

It will take some time to develop and cement in all the elements of a fully functioning accountability, governance and monitoring and reporting system. But there are some critical elements of the framework that need to be established alongside the decisions on the plan as a whole in late 2021:

- a. Specific Ministerial and departmental accountability for sector chapters in the plan, and a schedule setting out a lead Minister and department for each action in the plan
- b. Agreement to establish and operate a robust and transparent monitoring system that will assess progress at the economy, sector and policy level
- c. Agreement that the Climate Response Ministers Group will oversee the implementation of the plan
- d. Agreement to either formalise the Climate Change Chief Executives Group as an Interdepartmental Executive Board under the Public Service Act 2020, or update its Cabinet mandate to provide for it to have a stronger role and accountability in respect of the government-wide implementation of the plan
- e. Agreement to bolster the Climate Change Chief Executives Group (in either form) through establishment of a dedicated cross-agency secretariat, located at MfE.

A new governance structure and monitoring and reporting framework will require additional funding to establish and operate. s 9(2)(f)(iv) .

The Climate Response Ministers Group next meets on 21 September. We recommend you seek agreement to the critical elements above in that meeting, so that they can be included in the draft plan and related material seeking Cabinet decisions.

### Recommendations

We recommend that you:

- a. **Discuss** the proposals in this paper at the next officials meeting on 20 September


Yes/No

- b. **Agree** to take the critical elements of the accountability, governance and monitoring and reporting framework to the next Climate Response Ministers Group meeting on 21 September, for its approval

- c. **Agree** that this briefing and appendices will be released proactively on the Ministry for the Environment's website alongside related advice on the Emissions Reduction Plan late in 2021.

Yes/No

### Signature

|  |   |
|--|---|
| Lisa Daniell<br>Director - Climate Mitigation<br><b>Climate Change</b> |  |
|--|---|

|  |  |
|--|--|
| Hon James SHAW, Minister of Climate Change |  |
| [Date field]                               |  |

## Purpose

1. Successful implementation of the first Emissions Reduction Plan will require:
  - a. Strong and effective accountability for the actions and outcomes in the plan across Ministers and departments
  - b. Clear, effective and efficient governance to drive implementation of the plan
  - c. Timely, transparent and robust monitoring and evaluation, to underpin strong accountability and good governance
  - d. A mechanism to deliver cross-government work.
2. We are working towards Cabinet decisions on elements of each of these points late in 2021, alongside other decisions on the plan.
3. This briefing provides you with advice on how each of these elements should be established as part of the plan. It prepares you for a conversation with your Climate Response Ministers' Group colleagues at its meeting on 21 September.

## Context

4. The New Zealand Government will publish the first Emissions Reduction Plan (plan) at the end of 2021. The plan will set out how New Zealand will meet the first set of emissions budgets, and include policy and actions across government that will aim to reduce emissions over the proceeding four years and beyond.
5. Successfully achieving the budgets and implementing the plan will require ongoing, active management over the life of each plan, supported by clear accountability for action. Many actions in the plan will align with existing portfolios (eg. the emissions trading scheme, or transport policy) and agency responsibilities, but some will not (eg. a circular economy strategy).
6. There will also be a need for advice on the performance of the plan as a whole to manage its performance over time – including how emissions reductions are prioritised across sectors, and where more or less action is appropriate.
7. Out of Scope  
[REDACTED]

## Analysis and Advice

### Objectives

8. The objectives of this work are centred on separate but closely related themes:
  - a. Accountability
    - i. Establish strong and effective accountability for the actions and outcomes in the plan across Ministers and departments
  - b. Governance
    - i. Ensure a clear, effective and efficient governance to drive implementation of the plan
  - c. Monitoring and evaluation

- i. Enable timely provision of the information needed to inform ongoing decisions on New Zealand's emissions reductions. Effective monitoring and evaluation are pre-requisites for strong accountability and good governance.
  - d. Cross-government work
9. There are current arrangements and ongoing work across each of the four objectives. This work provides an excellent starting point, but more is needed to ensure the success of the emissions reduction plans. The following sections summarise the existing arrangements and set out options for changes.

### Accountability

10. The Climate Change Response Act 2002 places an obligation on the responsible Minister (Climate Change) to ensure that emissions budgets are set on time, emissions reduction plans are published, and emissions budgets are met. There is no accountability on any other portfolio Ministers established through the Act. This is a potential issue, given many of the actions needed to implement the Plan will sit across other Ministerial portfolios.
11. The accountability established through the Climate Change Response Act sits with the responsible Minister, and is primarily political in nature<sup>1</sup>. As you have suggested, this could be bolstered by setting up specific Ministerial and departmental accountability for actions or groups of actions in the plan.
12. At our recent meeting, we discussed the plan setting out accountability at two levels:
- a. A lead Minister and department for each sector-related chapter (eg. transport, waste, etc.)
  - b. A lead Minister and department for each action in the plan, set out in a schedule to the plan.
13. Public transparency on progress will be essential in sheeting this accountability home. This will require timely, robust and public monitoring and reporting of progress against the actions in the plan, and the emissions reductions it seeks to achieve. This monitoring and reporting would align well with the current proposal for sector contributions or sub-targets under the budgets, by adding accountable Ministers and Chief Executives, and progress indicators. More detail on the potential for indicators is set out in the section on monitoring and evaluation below.
14. s 9(2)(g)(i) [REDACTED]  
[REDACTED] s 9(2)(g)(i)  
[REDACTED] Our view is that there is significant scope in the role of public sector Chief Executives to shape the work of their departments. The session with the CRMG provides an opportunity to land this with your colleagues.

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<sup>1</sup> Noting that s 5ZM of the Climate Change Response Act 2002 enables a court to make a declaration that an emissions budget has not been met, and requires the responsible Minister to respond to the declaration in the House of Representatives.

15. Cabinet has invited you to report back to ENV on the level and structure of possible sector budgets, and to investigate options around accountability for delivering against any sector emission budgets that are developed [CAB-21-MIN-0320.01 refers].
16. We recommend you seek agreement from the CRMG that the plan sets out a lead Minister and department for each sector chapter, as well as a schedule setting out a lead Minister and department for each action in the plan.
17. There is also the long-term need to ensure all departments are working towards low emissions and climate resilient objectives more broadly than the first emissions reduction plan. s 9(2)(f)(iv) [REDACTED]  
[REDACTED]  
[REDACTED]
18. Work to develop guidance for agencies could be undertaken in the first emissions budget period, this would require resourcing from the Ministry for the Environment.

### Governing and managing the implementation of the plan

19. The cross-cutting nature of the plan presents a particular governance and management challenge for its implementation. Governance of the plan will need to oversee:
  - a. Implementation of policy that is aligned with existing Ministerial portfolios and departmental functions. This is where we expect to see much of the heavy lifting in reducing our emissions, for example across transport, industrial heat and land use.
  - b. Implementation of policy that cuts across or is not well aligned with existing Ministerial portfolios. There are a range of measures in this category, for example behaviour change and the circular economy.
  - c. Management of the ongoing performance of the plan as a whole. This will require assessing progress in reducing emissions across the economy, and taking decisions on how emissions reductions should be accelerated or slowed down across the plan in order to deliver the emissions budget.
20. Existing relationships between Ministers and departments are well suited to delivering the first set of initiatives in (a) above, but are not well suited to deliver (b) or (c).

### Governance and management functions

21. The functions needed at each level of organisation are set out in the table below.

| Organisational level        | Functions  |
|-----------------------------|--|
| Ministerial group           | <ul style="list-style-type: none"> <li>• Maintains strategic direction in line with ERP</li> <li>• Individual Ministers own accountability for policies and plans</li> <li>• Assigns responsibility for implementation of policies and plans to Chief Executives on the Board</li> <li>• Oversees performance of the Chief Executives Board</li> </ul> |
| Collective Chief Executives | <ul style="list-style-type: none"> <li>• Exercises accountability to the Climate Response Ministers Group by monitoring and evaluating                             <ul style="list-style-type: none"> <li>○ performance of policy agencies implementing the policies and plans in the ERP; and</li> </ul> </li> </ul>                                  |

| Organisational level | Functions   |
|----------------------|---|
|                      | <ul style="list-style-type: none"> <li>○ ongoing fitness-for-purpose of ERP, including emissions reductions expected and achieved, and resourcing across departments and within the secretariat</li> <li>● Sets performance expectations of responsible policy agencies</li> <li>● s 9(2)(f)(iv)</li> <li>● Identifies and manages risks</li> <li>● Responsible for communication with the Ministers group</li> </ul>   |
| Secretariat          | <ul style="list-style-type: none"> <li>● Advises collective chief executives</li> <li>● Manages monitoring and evaluation reporting</li> <li>● Advises on the performance of the plan including how and if emissions reductions need to be accelerated, slowed down, or reprioritised across the economy</li> <li>● Manages programme-level risks across the plan</li> <li>● Ensures effective and coordinated implementation of the decisions of the governance board, including in relation to:               <ul style="list-style-type: none"> <li>○ coordination and coherence within the plan, and as it relates to other government priorities</li> <li>○ adequacy of resourcing (especially capacity and capability)</li> <li>○ clear assignment of management responsibilities and spans of control, and risk management (including corrective action in any areas of underperformance)</li> </ul> </li> </ul> |
| Member agencies      | <ul style="list-style-type: none"> <li>● Develop and implement relevant policy</li> <li>● Provide monitoring and reporting collateral to the secretariat</li> </ul>   |

**There are a range of options for the governance and management of the plan**

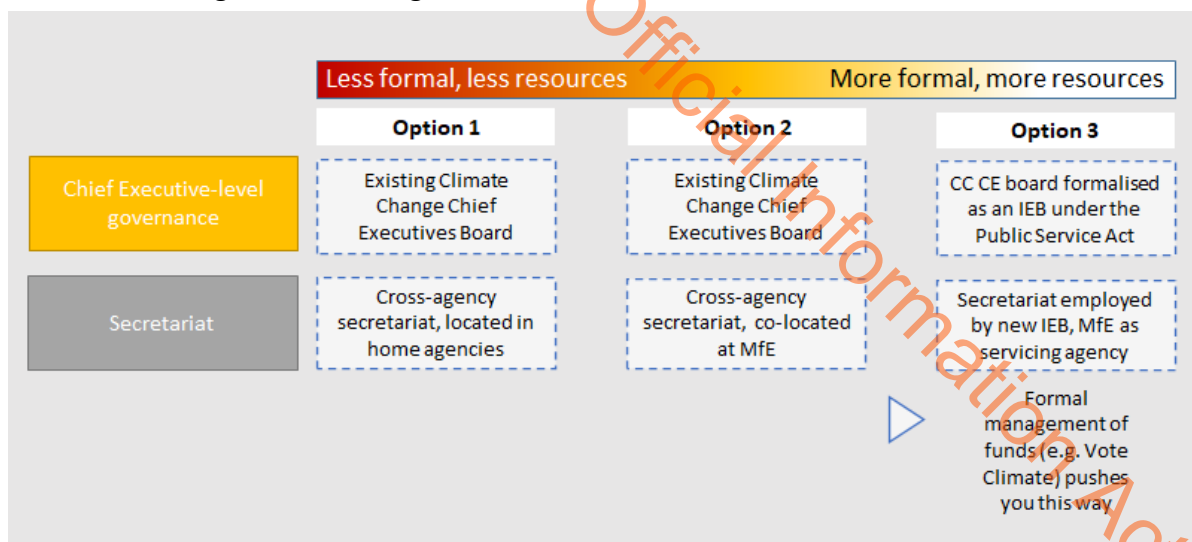
22. There are a range of options to govern and manage the implementation of the plan, from the current setup to more formal, structural options. Landing on the best option will require balancing the time and resource it takes to administer against the organisational benefits it provides.
23. All the promising approaches have common features, including a Ministerial group, a chief executive group, and a team to deliver the work.
24. Current arrangements have seen the Climate Response Ministers Group and Climate Change Chief Executives take on these functions for the development of the plan.
25. Regardless of the approach, key decisions are:
  - a. The make-up and size of the Ministerial group
  - b. Chief Executive arrangements, including membership and chair
  - c. Support arrangements, including: hosting; resourcing and capability; and appointing a lead official to run the unit.

**Ministerial grouping**

- 26. The Climate Response Ministers Group has provided a strong imperative for the development of the plan through the seniority of its chair and the regularity of its meetings. This group, or one with a similar mandate and membership, is a good fit for the Minister-level governance.
- 27. We recommend the CRMG is confirmed as the group overseeing the implementation of the plan through a Cabinet decision, alongside decisions on the remainder of the plan late in 2021.

**How officials are organised**

- 28. The Climate Change Chief Executives Board offers the right grouping of Chief Executives to oversee the implementation of the plan. It is a Cabinet-mandated board, chaired by the Secretary for the Environment.
- 29. We know from previous experience with cross-agency work 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 recently passed 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). This is the most promising of the options to formalise the Climate Change Chief Executives Board.
- 30. The diagram below sets out the broad range of options for officials-level governance: from the existing Climate Change Chief Executives Board to an IEB.



- 31. Formalising the Climate Change Chief Executives Board as an IEB would make each of the member chief executives formally jointly accountable for the implementation of the plan. In practice, this means departments within the remit of the board are listed in a schedule to the Public Service Act 2020. The board membership is chosen from those departments, determined by the Public Service Commissioner. The performance of the board as a whole is then included in the performance assessment for each individual chief executive.

32. 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 could directly appoint employees as its secretariat under the Public Service Act and administer an appropriation under the Public Finance Act 1989, for example to cover the policy advice and monitoring functions. The IEB is responsible for setting and publishing its own operating procedures, such as the processes for decision-making. It also must meet the reporting requirements of a department, including preparing an annual report.
33. Stable management and governance of successive Emission Reduction Plans will help us to efficiently implement policy and achieve budgets. Formally establishing the Climate Change Chief Executives as an IEB could help maintain this stability, by more firmly embedding the board in the public service.
34. There are two IEBs currently in operation: the Strategic Planning Reform Board chaired by the Secretary for the Environment and hosted at MfE, and the Border Executive Board chaired by the New Zealand Customs Service Comptroller. s 9(2)(f)(iv)
35. On the other hand, a very similar outcome could be achieved by the Climate Change Chief Executives Board remaining as a Cabinet mandated board. Its secretariat could be located at MfE, made up of agency secondees and MfE staff. s 9(2)(f)(iv)
- This structure could achieve most of the benefits of the IEB aside from the formal accountability of each chief executive, but avoid the setup and ongoing administrative cost.
36. s 9(2)(g)(i)
37. Climate Change Chief Executives are meeting on 22 September. They will consider the officials-level governance of the implementation of the plan, including whether this is best undertaken by a Cabinet-mandated board, or an Interdepartmental Executive Board is needed. We will provide you with specific advice on the form of the officials' governance following that meeting.

### Monitoring and evaluation

38. New Zealand already undertakes a range of reporting on its emissions in order to meet international and domestic objectives.
39. The Climate Change Commission is required to prepare annual monitoring reports which include assessing progress against the emissions reduction plan, and its adequacy. The Commission must also publish a report after the completion of a budget period, evaluating progress made in the period, and the effectiveness of the plan.
40. The annual monitoring role of the Commission is a critical element of accountability for progress on the plan, but is not sufficient to inform the active management that will be needed to deliver the plan.

41. More timely information on the performance of the plan is needed at the economy, sector and individual policy levels to inform the active management that will be needed to deliver the plan.
42. The table below sets out a potential reporting framework and reporting frequencies. The reports should build on each other, and be sequenced to avoid duplication. For example the reporting on individual policies should roll into the sector reporting, which would then roll into the projections reports.
43. Establishing such a framework will require new arrangements and resourcing across government, including with Statistics New Zealand. The design of the framework will need to ensure integrity at all levels of the information it provides, and provide for new sources of data.

Proactively released under the Official Information Act 1982

| Reporting level   | Needs to answer the question  | Key reporting information (what the public and policy makers need from reports)  | Existing reports or obligations  | Need for new report?  |
|-------------------|---|--|--|---|
| Economy-wide      | <p>Are we on track to meet our targets?</p> <p>Is the emissions reduction plan effective?</p>                     | <p>Projected emissions based on committed policy</p> <p>Target trajectory (emissions budgets, NDC excluding progress on international offsets)</p> <p>Estimate of fiscal cost, if a shortfall is projected</p>                             | <p>CCC annual monitoring report<sup>2</sup>, government response to annual monitoring report</p> | <p>Yes, recommend biannual with focus on any difference between target trajectory (emissions budget and NDC) and current trajectory. Will need to rely on provisional data before the inventory is finalised.</p> |
| Sector            | <p>How are different sectors of the economy tracking?</p> <p>Are they below or above where we need to be?</p>     | <p>Emissions per sector (current and projected, compared to target trajectory)</p> <p>Key outcomes (eg. proportion of EVs on the road, proportion of industrial heat from coal, contribution of low emissions industry to GDP)</p>         | <p>Projected emissions and key outcomes not covered in existing reports</p>                      | <p>Yes, recommend biannual</p>  |
| Individual policy | <p>Are individual policies effective?</p> <p>Following implementation, have they represented value for money?</p> | <p>Dependent on individual policies, but a mix of:</p> <ul style="list-style-type: none"> <li>• Uptake of policy</li> <li>• Impact on emissions</li> <li>• Cost</li> </ul> <p>Link with monitoring for Climate Emergency Response Fund</p> | <p>Not covered in existing reports</p>   | <p>Yes, recommend biannual. Likely part of reporting on Climate Emergency Response Fund</p>   |

<sup>2</sup> Note that any new economy-wide reporting from the government will need to fit with the Climate Change Commission's annual report, and detail of how this will function will be worked through during the detailed design of the system.

## Cross-government work

44. s 9(2)(i)

45. s 9(2)(f)(iv)

## Timing

48. It will take some time to develop and cement in all the elements of a fully functioning accountability, governance and monitoring and reporting system. But there are some critical elements of the framework that need to be established alongside the decisions on the plan as a whole in late 2021:
- Specific Ministerial and departmental accountability for sector chapters in the plan, and a schedule setting out a lead Minister and department for each action in the plan
  - Agreement to establish and operate a robust and transparent monitoring system that will assess progress at the economy, sector and policy level
  - Agreement that the Climate Response Ministers Group will oversee the implementation of the plan
  - Agreement to either formalise the Climate Change Chief Executives Group as an Interdepartmental Executive Board under the Public Service Act 2020, or update its Cabinet mandate to provide for it to have a stronger role and accountability in respect of the government-wide implementation of the plan
  - Agreement to bolster the Climate Change Chief Executives Group (in either form) through establishment of a dedicated cross-agency secretariat, located at MfE.
49. A new governance structure and monitoring and reporting framework will require additional funding to establish and operate. New funding will be sought through Budget 2022.

## Consultation and Collaboration

50. In respect of governance and management of the implementation of the plan, other agencies have indicated that more consideration is needed before the officials' level governance is agreed, particularly in relation to the Interdepartmental Executive Board option.

51. Some departments have expressed that the existing vertical accountability from portfolio Minister to department is likely to be sufficient to deliver the elements of the plan which fit within portfolio responsibility.

52. s 9(2)(f)(iv)

53. In relation to accountability, there is concern that setting out accountabilities for all actions in the plan will not be feasible, and that accountability should be limited to actions which are fully funded and have an express mandate from Cabinet.

54. Finally, there is concern at setting up a secretariat, that this would draw critical resource from the implementation of the plan within agencies.

55. It is our view that the concerns raised above can be addressed as the detail of the work is developed.

## Legal issues

56. s 9(2)(h)

## Financial, regulatory and legislative implications

57. There is no existing resource allocated to the secretariat function or the monitoring and evaluation framework proposed in this briefing. s 9(2)(f)(iv)

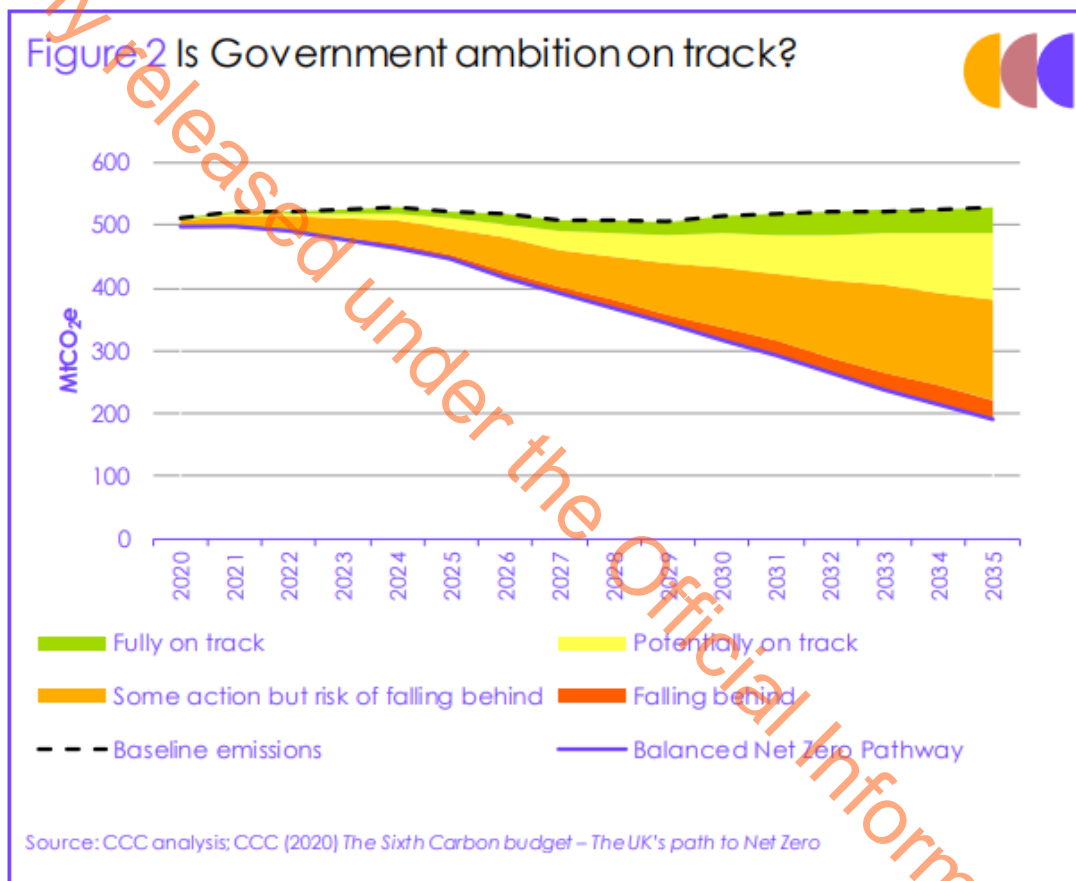
## Next Steps

58. You are attending the next meeting of the Climate Response Ministers Group on 21 September. We recommend you seek agreement to the critical elements above, so that they can be included in the draft plan and related material seeking Cabinet decisions. We are preparing supporting material for this discussion.

## Appendix 1: International examples

The Zero Carbon Framework set out in the Climate Change Response Act drew heavily on the United Kingdom's Climate Change Act.

With respect to monitoring and evaluation, the UK Committee on Climate Change publishes annual reports on the UK's progress in reducing emissions. Those reports set out the differences between the Government's commitments and the Climate Change Committee's recommendations, and the Committee's assessment of the impact those commitments will have on emissions over the medium term. The figure below is taken from the Committee's most recent 2021 report<sup>3</sup>



The latest report for 2021 also presents a scorecard, assessing departments' responses to the recommendations in the 2020 report. This is reproduced below, for information.

<sup>3</sup> Progress-in-reducing-emissions-2021-Report-to-Parliament.pdf (theccc.org.uk)

