



## Responding to the Climate Change Commission's recommendations on Government Accountability and Coordination in the ERP

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Security Level	BUDGET SENSITIVE	MfE Priority:	Not Urgent

	<b>Action sought:</b>	<b>Response by:</b>
Hon James SHAW, Minister of Climate Change	Provide feedback to officials (possibly discuss with officials in a deep-dive session)	11 October

Actions for Minister's Office Staff	<b>Return</b> the signed report to MfE.
Number of appendices and attachments # 1	s 9(2)(f)(iv) and s9(2)(g)(i)

### Key contacts

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# Responding to the Climate Change Commission's recommendations on Government Accountability and Coordination in the ERP

## Key Messages

1. In May 2021, the Climate Change Commission (Commission) provided seven recommendations relating to government accountability and coordination.
2. This briefing seeks your feedback on our initial analysis for responding to these recommendations as part of our current policy work programme to develop the emissions reduction plan (ERP). This includes policy options for:
  - Providing consistent consideration of climate impacts through the Cabinet process by reviewing CIPA with the intent to expand and enhance its application
  - Ensuring climate objectives are considered in all departmental policies and strategies by issuing guidance to departments
  - Ensuring climate change is considered in government decision-making processes for Crown agencies, entities and Crown-owned companies through work being pursued in sector chapters – any work to develop guidance should align with any specific guidance to these organisations developed through other chapters of the ERP.
  - s 9(2)(f)(iv) [REDACTED]
  - [REDACTED]
  - s 9(2)(f)(iv) [REDACTED]
  - s 9(2)(f)(iv) [REDACTED]
3. These focus areas for policy development form the basis of a chapter on Government accountability and coordination in the ERP. We note that the scope, number and order of ERP chapters has been amended in line with the climate strategy map. This does have some implications for how we place the discussion of these issues in the final ERP. For example, the content of this briefing note also relates to the 'Empowering leadership' component of the climate strategy map. For the purpose of this briefing note we have captured these issues in a single draft chapter that is attached for your feedback.
4. s 9(2)(f)(iv) [REDACTED].


Officials would ideally like to hold a deep dive with you to discuss your feedback on these options, and how you would like to progress them through Cabinet decisions in 2021.

## Recommendations

We recommend that you:

- a) **Agree** to review CIPA with the intent to enhance and expand its application Yes/No
- b) **Agree** that officials will provide you further advice on the most appropriate mechanism for issuing guidance to departments on how to address climate change objectives within other departmental strategies and policies Yes/No
- c) **Note** that work to ensure climate change is considered in government decision-making processes is being pursued through work in sector chapters and that further advice will be forthcoming as these chapters are advanced.
- d) **Note** that there are options to pursue more effective public involvement in climate policy s 9(2)(f)(iv) [redacted] Yes/No
- e) s 9(2)(f)(iv) [redacted] Yes/No
- f) s 9(2)(f)(iv) [redacted] Yes/No
- g) s 9(2)(f)(iv) [redacted] Yes/No
- h) **Note** that this briefing is appended by draft chapter content on government accountability and coordination for the ERP
- i) **Agree** to meet with officials to discuss your feedback on the scope of work under government accountability and coordination Yes/No
- j) **Agree** that this briefing and appendices will be released proactively on the Ministry for the Environment's website following final policy decisions on the emissions reduction plan Yes/No

## Signature

Lisa Daniell Director - Climate Mitigation	
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Hon James SHAW, Minister of Climate Change	
[Date field]	

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## Purpose

1. This briefing sets out a number of policy options that respond to the Commission's seven recommendations relating to government coordination and accountability.
2. We seek your direction on progressing these options for inclusion in the ERP and whether in your view they adequately respond to the Commission's recommendations. As per recent Cabinet direction, decisions on final policies for the ERP need to be taken through Cabinet by the end of 2021 [CAB-21-MIN-0372]. s 9(2)(f)(iv) [REDACTED].
3. These options form the basis of the ERP chapter on 'Government Accountability and Coordination' and also relate to 'Empowering leadership' within the climate strategy map. The working draft of this chapter has been attached (Appendix 1). We seek your feedback to enable further chapter and related policy development.

## Context

4. The high-level content of this chapter was originally agreed as part of Cabinet decisions on the scope, process, timeframes and accountability for developing the emissions reduction plan [CAB-21-MIN-0138 refers].

**Table 1: Recommendations in scope from the Commission's final report**

Recommendations	
9.1	Nominating specific Ministers and agencies with accountability for implementing policies and strategies in the emissions reduction plans in line with budgets.
9.4	Providing 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.
12.4	Requiring Crown agencies, entities and Crown-owned companies to include climate change as part of their decision making. 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 embedded emissions.
10.1	Evolving more effective mechanisms to incorporate the views of the public when determining how to prioritise climate actions and policies to meet emissions budgets, to create more inclusive policy development.
13.3 (a)	Including behaviour change in the design of climate change policies and programmes, in order to enable New Zealanders to make choices that support low-emissions outcomes.
13.3 (b)	Identifying a lead agency and establishing a dedicated, well-resourced fund for education and information to promote and socialise the wide-scale behaviour changes needed. This should involve communities, Iwi/Māori and local knowledge.
17.2	Encouraging higher rates of working from home and flexible work arrangements to reduce travel demand and associated emissions. <sup>1</sup>

<sup>1</sup> This recommendation was originally in the transport chapter of the Commission's recommendations with a note that is also related to Recommendation 24 (2c) in Chapter 17: Policy direction for agriculture.

5. Note, you have already been briefed (BRF-563 refers) on options for Ministerial accountability for implementation of the emissions reduction plan (including monitoring and evaluation). These options were also discussed at the Climate Response Ministerial Group on Tuesday 21 September, so recommendation 9.1 is not a focus of this briefing. We will provide you with further advice on accountability and implementation of the ERP.
6. The draft chapter (Appendix 1) also includes content that goes beyond the scope of the Commission's recommendations. This includes content on:
  - Reducing emissions through government procurement rules
  - Decarbonising the public sector through the Carbon Neutral Government Programme
  - How the public can participate in voluntary action with environmental integrity
  - How our education system is set up to enable and support climate education in schools
  - How meeting our budgets will require a whole of New Zealand response
7. Content on behaviour change has been included in this chapter, but can form part of a separate chapter on behaviour change in the final ERP.
8. There is time to craft the narrative of this chapter in coming months. We also recognise that once we have all draft ERP chapters together the content developed for this chapter may be better incorporated elsewhere. As you've agreed in conversation with officials, when the ERP is finalised in 2022, we will work to ensure that any duplication in the document is removed.

## Analysis and Advice

The below sections present analysis across the recommendations in scope of this chapter.

### Providing consistent consideration of climate impacts through the Cabinet process

#### Climate Change Commission – Recommendation 9.4

Providing 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

9. The Government has already established a range of tools that enable emissions and climate impacts to be considered at the decision-making level. These include:
  - The Cabinet requirement that all policy and funding proposals that are likely to have a significant impact on emissions undergo a Climate Implications of Policy Assessment (CIPA)
  - Using a shadow carbon price in the Budget process to ensure the costs of emissions and benefits of emissions reductions are taken into account.
10. Treasury and the Ministry for the Environment have been working on how these tools and others can be better used to align government spending with climate action.

11. Building on the work that is happening through the funding and financing the transition work programme, we see significant opportunity to use tools like CIPA to cover more than just emissions impacts of policies over a certain threshold.

*CIPA is not working as well as it could*

12. Currently, the CIPA process only covers a small proportion of policies that go through Cabinet, and even fewer of which CIPA currently applies to go through a full CIPA analysis, quality assurance and disclosure process.
13. Since the introduction of CIPA in November 2019, agencies have engaged with the CIPA process on over 400 different Cabinet proposals. s 9(2)(g)(i) [REDACTED].
14. The CIPA requirement only applies where:
  - a) an objective of the policy proposal is to decrease GHG emissions, or;
  - b) the impact on GHG emissions is likely to be equal or above 0.5 million tonnes carbon dioxide equivalent (CO<sub>2</sub>e) within the first ten years of the proposal period (representing an annual average of 50,000 tonnes).
15. The Cabinet Office circular for CIPA (CO (20) 3), does not include a strict requirement to engage with the CIPA team so the engagement process is largely voluntary.

*There is an opportunity to expand CIPA and address recommendation 9.4*

16. There are three key issues to improve the effectiveness of CIPA as a policy tool to support policy development and decision making:
  - a) CIPA has a narrow scope and remit – the requirement is limited to the quantitative disclosure of absolute direct emissions impacts (where they are above a set threshold) and does not include any further detailed assessment or requirement to contextualise these impacts.
  - b) Compliance – CIPA currently has no compliance function, so there is a heavy reliance on engagement and cooperation from other agencies. Without oversight of relevant proposals, it is hard to determine how many proposals haven't gone through the CIPA process that ideally should have.
  - c) Capability – In some instances, there is likely to be a lack of emissions modelling capability and appropriate commissioning of analysis. We are sometimes reliant on agencies undertaking preliminary analysis to determine whether the CIPA requirement applies.
17. There is an opportunity to expand the CIPA to provide Ministers with more information on how policies and investments across government align with the low emissions transition – and where they do not.
18. This could be achieved by expanding CIPA to include:
  - a) Assessment of significant proposals' alignment with the low emissions transition and 2050 target (including unquantifiable policies)
  - b) Consideration of other objectives such as climate adaptation, distributional impacts, costs and benefits

c) Consideration/identification of whether proposals may be mis-aligned with climate policy objectives.

19. We recommend you agree to review CIPA with the intent to enhance and expand its application. s 9(2)(f)(iv)

[Redacted text]

**Ensuring climate objectives are considered in all departmental policies and strategies**

**Climate Change Commission – Recommendation 9.4**

Providing 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

20. We recognise the need to ensure all departments are working towards low emissions and climate resilient objectives. This needs to go beyond the operational emissions of the agencies included in the Carbon Neutral Government Programme (CNGP) and align with other government priorities.

*Most Government Department Strategies do not address climate change*

21. The McGuinness Institute released in May 2021 a working paper<sup>2</sup> that looks at the alignment of Government Department Strategies and climate change. This study showed only 31% of Government Department Strategies (61 out of 199) discuss climate change with only 18% explicitly mentioning climate change. This study suggests that further alignment is needed across other strategies.

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

[Redacted text]

[Redacted text]

25. s 9(2)(h)  
[Redacted text]

<sup>2</sup> <https://www.mcguinnessinstitute.org/wp-content/uploads/2021/09/20210920-10.50am-WP-2021-02a-Interactive.pdf>

s 9(2)(h)

26. s 9(2)(f)(iv) and s9(2)(g)(i)

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

**Ensuring climate change is considered in decision-making processes**

**Climate Change Commission – Recommendation 12.4**

Requiring Crown agencies, entities and Crown-owned companies to include climate change as part of their decision making. 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 embedded emissions.

Is important that Crown agencies, entities and Crown-owned companies include climate change as part of their decision-making.

*The Carbon Neutral Government Programme (CNGP) supports this shift*

- 29. Through the CNGP all 47 Crown agents will be directed to measure, report and reduce their emissions in line with a 1.5 degree pathway from 2022/23 onwards. CNGP agencies are required to develop their emission reduction plans to cover the emissions over which they have control/influence.
- 30. These requirements would likely apply to material emissions resulting from constructing and operating assets for Waka Kotahi (but not the transport emissions enabled) and to material emissions resulting from constructing housing for Kāinga Ora.

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

*The final emissions reduction plan is likely to set new expectations in key areas*

- 32. Final content in the ERP will likely result in changes which could set new expectations for housing and transport Crown Entities. For example:
  - a) Transport. This chapter proposes policy changes to significantly reduce vehicle kilometres travelled, based on an Avoid-Shift-Improve framework that prioritise mechanisms to avoid the need to travel (e.g., increasing the density of urban form and development). This will have very significant implications for Waka Kotahi.

b) Building and construction. This chapter proposes measures to reduce the embodied and operational emissions associated with constructing and operating buildings. This will have significant implications for Kāinga Ora.

c) s 9(2)(g)(i)  
[Redacted]

d) Planning and infrastructure. Developing consistent and effective guidance that sits alongside other tools, such as the 30-year Infrastructure strategy, will be important for reducing emissions from infrastructure. The draft infrastructure strategy has been circulated to Ministers for comment and includes recommendations for the ERP. We will be providing initial comments to you on this on 12 October, ahead of its public release on 13 October, but the full draft strategy will require further review before being able to propose options for inclusion in the ERP.

33. s 9(2)(f)(iv) and s9(2)(g)(i)  
[Redacted]

**Incorporating public views more effectively**

**Climate Change Commission – Recommendation 10.1**

Evolving more effective mechanisms to incorporate the views of the public when determining how to prioritise climate actions and policies to meet emissions budgets, to create more inclusive policy development.

34. It is critical to have consistent, ongoing conversations with the public to include them in the emissions reduction policy development process.

*This will be a priority in future emissions reduction plans*

35. This will be a priority work stream between delivery dates of future ERPs. Current engagement is via structured approaches with NGOs at Ministerial and government official levels.

36. There are a number of additional options to enable more effective engagement:

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

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

37. Mission oriented innovation is another opportunity for involving more effective engagement with the public. The consultation document seeks feedback on how new ways of working together like mission-oriented innovation can help meet our ambitious goals for a fair and inclusive society and a productive, sustainable and climate-resilient economy.

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

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

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

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

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

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

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<sup>3</sup> s 9(2)(f)(iv) [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

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

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

*Next steps for policy development*

50. We would like to provide you with further advice on the recommended approach. This can also be discussed at the proposed deep-dive on this work.

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

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

**How we can gather more data and encourage working from home**

**Climate Change Commission – Recommendation 17.2**

Encouraging higher rates of working from home and flexible work arrangements to reduce travel demand and associated emissions.

*NOTE: This is also relevant to Recommendation 24(2)(c).*

53. Under CNGP agencies will collect activity data/estimates to understand the emissions associated with working from home. This could also include staff commutes where this is deemed to be significant to an agency’s emissions profile). This will help to build a picture of how these activities and associated emissions are changing over time.

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

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

**Consultation and Collaboration**

56. The Public Services Commission, the Treasury, the Ministry of Housing and Urban Development, the Ministry of Transport, Energy Efficiency and Conservation Authority, Waka Kotahi, the Ministry for Business, Innovation and Employment were consulted on developing responses to recommendations contained within this briefing.

**Risks and mitigations**

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

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58. s 9(2)(g)(i) [REDACTED]  
 [REDACTED] However, these proposals are important for the long-term transition to a low emissions and climate resilient future

## Legal issues

59. s 9(2)(h) [REDACTED]  
 [REDACTED]  
 [REDACTED]

## Financial, regulatory and legislative implications

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

## Next Steps

61. We will discuss with you any initial feedback you have on the options laid out in this briefing, the scope of the work on government accountability and coordination, and the adequacy of our initial responses to the Commission’s recommendations.
62. Policy decisions for the ERP are required to be taken in 2021. We would like to discuss with you how you would like to take these decisions forward in a Cabinet paper. This could include taking decisions on Ministerial accountability and the monitoring and evaluation framework at the same time.
63. s 9(2)(g)(i) [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

**Table 2: Summary of decisions this Cabinet paper could seek**

Action	Decision Type Dec 21
Ministerial accountability for implementing the ERP	Final Cabinet agreement
Monitoring and reporting framework	In-principle decision s 9(2)(f)(iv) [REDACTED] [REDACTED]
Review of CIPA with a view to expansion/enhancement to better support ERP implementation	Noting recommendation to signal intent to pursue
Guidance to departments on how to consider low emissions objectives and climate targets	Noting recommendation to signal intent to pursue (dependant on mechanism used)
s 9(2)(f)(iv) [REDACTED]	[REDACTED] [REDACTED]

§ 9(2)(f)(iv) [REDACTED] [REDACTED]	[REDACTED] [REDACTED]
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64. Any further or more detailed advice you require on these proposals prior to cabinet decisions will need to be directed as soon as possible to allow time for policy development and analysis.

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