



Talking points for ENV: Setting the emission budgets Cabinet Paper

Date Submitted:	12 April 2022	Tracking #: BRF-1456	
Security Level	Policy and Privacy In-Confidence	MfE Priority:	Urgent

	Action sought:	Response by:
Hon James SHAW, Minister of Climate Change	Read before ENV meeting on 14 April 2022	N/A

Actions for Minister's Office Staff	Return the signed report to MfE.
Number of appendices and attachments #2	<ol style="list-style-type: none"> Talking points for the Cabinet paper: <i>Setting emissions Budgets for 2022-2025, 2026-2030 and 2031-2035</i> to be considered at ENV on 14 April 2022 Advice on matters for consideration under section 5ZC when setting the emissions budgets

Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Matthew Everett		
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Director	Melody Guy		

Talking points for ENV: Setting the emission budgets Cabinet Paper

Purpose

1. This briefing provides you with:
 - a. Talking points for the Cabinet paper: *Setting emissions Budgets for 2022-2025, 2026-2030 and 2031-2035* to be considered at ENV on 14 April 2022 (Appendix 1)
 - b. Further advice on the matters for consideration under section 5ZC of the Climate Change Response Act 2002 (CCRA) when setting the emissions budgets (Appendix 2).

Key Messages


2. The talking points cover:
 - a. your proposal to set emissions budgets that differ from the agreed in-principle emissions budgets from August 2021 by removing 2 Mt CO₂-e for each emissions budget period
 - b. the potential of the emissions reduction plan to meet the proposed emissions budgets
 - c. further detail on the sufficiency analysis for the emissions reduction plan
 - d. feedback received during Ministerial consultation, and in particular points passed on by the Minister of Agriculture and the Minister of Forestry and responses to this feedback
 - e. further information provided by MPI on the variability of forestry projections.
3. On 24 March 2022 you received a draft of the matters for consideration under section 5ZC of the CCRA when setting emissions budgets. We have since updated our advice to reflect your proposed budgets (Appendix 2 refers).
4. We will provide you with further advice in the first week of May:
 - a. on the Climate Change Commission's (the Commission) consideration of the Intergovernmental Panel on Climate Change (IPCC) pathways to the 1.5°C temperature goal when advising on the emissions budgets; and,
 - b. to seek approval for the Gazette notice to publish the emissions budgets and the formal response to the Climate Change Commission's (the Commission) recommendations on emissions budgets.

Recommendations

We recommend that you:

- a. **Note** the talking points we have provided to support your paper on *Emissions Budgets for 2022-2025, 2026-2030 and 2031-2035* at ENV on 14 April 2022
- b. **Note** our further advice on matters for consideration under section 5ZC of the Climate Change Response Act to inform your decision when setting emissions budgets
- c. **Note** we will provide further advice in the first week of May:
 - i. on the Climate Change Commission's consideration of the Intergovernmental Panel on Climate Change pathways to the 1.5°C temperature goal when setting the emissions budgets; and
 - ii. seeking your approval to for the Gazette notice to publish emissions budgets and the formal response to the Climate Change Commission's recommendations on emissions budgets.

Signature

Melody Guy Director Climate Directorate	
Date	

Hon James SHAW, Minister of Climate Change	
Date	

Appendix 1: Talking points for the Cabinet paper: Setting emissions Budgets for 2022-2025, 2026-2030 and 2031-2035 to be considered at ENV on 14 April 2022

My new proposed emissions budgets amend the agreed in-principle emissions budgets from August 2021 by removing 2 Mt CO₂-e for each emissions budget period

- In August we agreed in principle to a set of proposed emissions budgets for inclusion in the ERP consultation.
- These basically accepted the Commission's recommended budgets but modified them to take account of new information from the forestry intentions survey.
- There was an error in how the new forestry numbers were reported to Cabinet.
- Ministers were not informed that 2 Mt CO₂-e of emissions were coming from higher deforestation than had been previously estimated.
- These emissions were incorrectly attributed to afforestation and related land use change.
- I do not believe we should be making an allowance for increased deforestation.
- I now propose to set emissions budgets that are 2 Mt CO₂-e less than what we agreed in principle in August 2021 for each of the three emissions budget periods.
- For the first period my proposed emissions budget is therefore now the same as the Commission recommended - 290 Mt CO₂-e (compared to the 292 Mt CO₂-e we agreed in principle last August).

The emissions reduction plan has been enhanced since August and now has the potential to meet my proposed emissions budgets

- I am confident that the package of policies and measures in the emissions reduction plan have the potential to achieve our emissions budgets.
 - Emissions budget one of 290 Mt CO₂-e is near the top end of the low to high policy impact range estimates of the emissions reduction plan policies.
 - This will be challenging to meet, but I am confident this is achievable.
 - There are underlying risks and uncertainties in our projected emissions, but there is also a buffer of 3 Mt CO₂-e that may be borrowed from the next emissions budget to offset a shortfall if there are negative surprises.
 - Emissions budgets two and three appear to be achievable based on the policy impact assessment.
 - However, the longer-term projections based on currently stated forestry intentions are less reliable.
 - The second and third budgets can be revised before they commence, and we can expect further Commission advice on this by 31 December 2024.

- I consider these emission budgets strike the right balance between ambition and realism at this point in our climate change response.
- We need to urgently make significant emissions reductions now and set the path for much deeper reductions out to 2030 and beyond.
- Our response needs to be technologically achievable, economically manageable and socially acceptable – but there has to be some stretch and challenge.
- It is appropriate that the first emissions budget falls nearer the high end of the estimated emissions reduction plan policy impact range.
- This provides an incentive for determined implementation of the plan to ensure it delivers what is required to meet our 2050 target.

Further detail on emissions reduction plan sufficiency analysis

- The quantified abatement of policies and measures in the emissions reduction plan are presented as range of low to high policy impact for each budget period.
- This is to present a more realistic range and to reflect elements of uncertainty and risks.
- It is worth noting the uncertainties around the underlying emissions projections are likely to be greater than the range of low and high policy impact.
- Officials have worked to provide a realistic and useful low to high policy impact range for assessing the achievability of the emissions budgets and the sufficiency of the emissions reduction plan.
- There is very high uncertainty around the policy impact estimates for forestry sector (6.5Mt), relative to the other sectors. This is due to uncertainties around deforestation, which can have high emissions impacts.
- If this had been included in the policy impact estimate ranges, they would have been too wide to be useful.
- s 9(2)(g)(i) [Redacted]

Ministerial consultation

- s 9(2)(g)(i) [Redacted]
- Ministers Nash and O'Connor also passed on a number of MPI comments – addressed below:

MPI comment questioning the statutory basis for your proposal:

- s 9(2)(g)(i) [redacted]
- They correctly note you are required to have regard to both projected emissions and removals.
- s 9(2)(g)(i) [redacted]
- The CCRA allows for this, but you must formally explain the reasons for departing from the Commission's advice, and this will be subject to public and select committee scrutiny.

s 9(2)(g)(i) [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- s 9(2)(g)(i) [redacted]

Variability of forestry projections

- MPI have provided further information, via the Minister of Forestry about the wide uncertainty ranges around both the forestry intentions survey and how foresters might respond to New Zealand Emissions Trading Scheme (NZ ETS) prices and expectations
- For example, small owner deforestation rates from the forestry intentions survey could range between 10,100 and 21,500 hectares over 2020 to 2030.
- MPI are intending to further update their projections later this year, and there could be further large changes.
- s 9(2)(g)(i) [redacted]

s 9(2)(g)(i)

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