



## Talking points on Emissions Budgets for ENV

Date Submitted:	11 August 2021	Tracking #: BRF-453	
Security Level	Policy and Privacy In-Confidence	MfE Priority:	Not Urgent

	<b>Action sought:</b>	<b>Response by:</b>
Hon James SHAW, Minister of Climate Change	Read before ENV meeting on 12 August	N/A

Actions for Minister's Office Staff	<b>Return</b> the signed report to MfE.
Number of appendices and attachments Nil	N/A

### Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Matthew Everett	s 9(2)(a)	✓
Responsible Manager	Mark Storey	s 9(2)(a)	
Director	Lisa Daniell	s 9(2)(a)	

# Talking points on Emissions Budgets for ENV

## Key Messages

1. This briefing provides you with talking points for the Cabinet paper: *Emissions Budgets for 2022-2025, 2026-2030 and 2031-2035* to be considered at ENV on 12 August 2021.
2. The key points are:
  - **The paper proposes agreeing in principle to the three emissions budgets proposed by the Climate Change Commission.**
    - This will enable the government to clearly communicate its intentions to inform the forthcoming consultation on the emissions reduction plan.
    - This will also be timely given the heightened sense of urgency to reduce emissions in the latest IPCC report released this week.
    - Officials will report back by 31 October to seek final decisions on emissions budgets and complete the relevant detailed legal requirements of the Climate Change Response Act.
  - **The proposed budgets are challenging and there are significant uncertainties and risks around meeting them.**
    - All our projections of expected emissions and emissions reductions are uncertain, subject to frequent revision, and based on a number of critical assumptions, such as hydro inflows, and the closure of Tiwai Point.
    - For example the June upward revision of government projections has added to the task for the first budget period by 1.5 megatonnes for forestry and 2.3 megatonnes for agriculture. The phase-out of oil refining confirmed last week was not included in these revisions, and this will likely reduce the emissions reductions task by around 2.5 megatonnes.
    - The extra 4.1 megatonnes of emissions reductions required because of the difference between government projections and the Commission's baseline amounts to around a third of the expected additional emissions reduction required to meet the first emissions budget. However, it is only 1.4 per cent of the proposed budget of 290 megatonnes. The CCRA allows for one per cent to be borrowed from the next emissions budget.
  - **There will need to be continuing concerted effort across government to manage the risks and uncertainties, monitor progress, drive accountability across Ministers and agencies and take corrective action to meet emissions budgets.**
    - Managing the risks and uncertainties will be particularly challenging for the first budget period 2022-2025 because adjustment time is constrained. The absolute reductions required are much larger in the second and third periods, which therefore represent a greater challenge if we do not act now.
    - There is currently a shortfall between modelled policies for the emissions reduction plan and what will likely be required to meet the first proposed emissions budget. Officials and Ministers are working to address this, but some gap is likely to remain. However, as noted above, all the projected

numbers have high uncertainty, and the emissions reduction plan can be enhanced and amended during its lifetime

- There will be significant fiscal and economic implications, depending on the choices the government makes to achieve emissions budgets, and these may need to be further considered before final decisions are taken.

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## Recommendations

We recommend that you:

- 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 12 August 2021
- Agree** that this briefing and appendices will be released proactively on the Ministry for the Environment's website after final decisions are made on emissions budgets

Yes/No

## Signature

Lisa Daniell Director - Climate Mitigation <b>Climate Change</b>	
Hon James SHAW, Minister of Climate Change	
Date	

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