

CABINET PAPER PROACTIVE RELEASE COVERSHEET

Minister	Hon Stuart NASH Hon James SHAW	Portfolio	Minister for Economic and Regional Development Minister of Climate Change
Name of package	<i>Carbon Neutral Government Programme: issuing a direction for a whole of government approach to Crown Agents</i>	Date of release (intended publish date)	27 May 2022

List of documents intended for proactive release

Date	Title	Author
14 March 2022	<i>Cabinet paper: Carbon Neutral Government Programme: issuing a direction for a whole of government approach to Crown Agents</i>	Office of Hon. James Shaw, Minister of Climate Change Office of Hon. Stuart Nash, Minister for Economic and Regional Development
14 March 2022	<i>Cabinet Minute: DEV-22-MIN-0029 Carbon Neutral Government Programme: issuing a direction for a whole of government approach to Crown Agents</i>	Cabinet Office

Information withheld

Some parts of this information release are not appropriate to be released and, if requested, would be withheld in line with the provisions of the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified and are listed below.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Document title	Section of the Act	Reason for withholding
<i>Carbon Neutral Government Programme: issuing a direction for a whole of government approach to Crown Agents</i>	9(2)(f)(iv) 9(2)(h)	<i>maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials;</i> <i>maintain legal professional privilege</i>
<i>DEV-22-MIN-0029</i>	9(2)(h)	<i>maintain legal professional privilege</i>

Other consultation

Treasury
Public Service Commission
Civil Aviation Authority

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In Confidence

Office of the Minister of Finance

Office of the Minister for the Public Service

Office of the Minister for Economic and Regional Development

Office of the Minister of Climate Change

DEV – Cabinet Economic Development Committee

Carbon Neutral Government Programme: issuing a direction for a whole of government approach to Crown Agents

Proposal

- 1 This paper seeks Cabinet's agreement to proposed wording for a direction for a whole-of-government approach, which will be issued by the Ministers of Finance and for the Public Service. This direction is to mandate Crown Agents to meet the requirements of the Carbon Neutral Government Programme.

Relation to government priorities

- 2 The Government declared a climate change emergency on 2 December 2020, with the Cabinet Business Committee (CBC) agreeing 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 The direction for a whole-of-government approach forms part of the Carbon Neutral Government Programme which relates to the Government's priorities to ‘accelerate our economic recovery’ and ‘lay the foundations for the future’.

Executive Summary

- 4 The Carbon Neutral Government Programme ensures central government organisations are accelerating their emissions reduction journeys and aiming to be carbon neutral from 2025. Crown Agents are a group of organisations that make up part of the Programme. In order to mandate Crown Agents to comply with the Programme requirements, Cabinet agreed a direction for a whole of government approach under Section 107 of the Crown Entities Act 2004 as the preferred approach [CBC-21-MIN-0030 refers].
- 5 This paper seeks Cabinet's agreement to the proposed wording of the direction for a whole of government approach. Crown Agents were consulted

on the draft direction text in July/August 2021 and changes were made to address their feedback.

- 6 Following Cabinet's approval, the next steps are for the Minister of Finance and Minister for the Public Service to jointly issue the direction, notify the affected entities, and present the direction and any relevant material to the House. Under Standing Order 383, a select committee may examine the direction and report to the House. If not disapproved, the direction will come into force 15 sitting days after it is presented to the House.

Background

- 7 In November 2020, Cabinet agreed to establish the Carbon Neutral Government Programme ('the Programme'), a long-term work programme that aims to make a number of government organisations carbon neutral from 2025, and help them accelerate their emissions reduction journeys [CAB-20-MIN-0491 refers]. The Programme will evolve over time (as our understanding of organisations' emissions profiles improves) to support ongoing emissions reduction efforts.
- 8 Crown Agents (also referred to as Tranche 2 within the Programme) are one group of organisations currently part of the Programme (see Appendix 1). Organisations making up the Public Service and the Executive Branch have already been instructed to comply with the requirements from 2021/22.
- 9 In April 2021, Cabinet agreed the preferred approach to ensuring Crown Agents comply with the proposed reporting requirements under the Programme is through a direction to support a whole of government approach issued under section 107 of the Crown Entities Act 2004 [CBC-21-MIN-0030 refers].
- 10 Cabinet noted that the Ministry for the Environment will develop a proposed section 107 direction to require Crown Agents, from the 2022/23 financial year onwards, to:
 - 10.1 report their emissions and set a gross emissions reduction target for 2025 and 2030, in accordance with guidance to be provided by the Ministry for the Environment;
 - 10.2 develop and implement credible reduction plans to help them reach their gross emissions reduction targets;
 - 10.3 report their emissions, reduction plans and progress towards their gross emissions reduction targets to the Programme Lead (currently the Ministry for the Environment) by December each year, commencing in December 2023, in accordance with guidance to be provided by the Ministry for the Environment; and
 - 10.4 include summarised information provided to the Ministry for the Environment in their annual reports [CBC-21-MIN-0030 refers].

- 11 The process to be followed in issuing a direction is set out in the Crown Entities Act 2004 and Cabinet Office circular CO (13) 4.
- 12 Cabinet authorised the Ministers of Finance and the Public Service to consult with Crown Agents in June 2021 on the proposed s107 direction [CBC-21-MIN-0030 refers].

Analysis

The direction must be within specified purposes under the Crown Entities Act 2004

- 13 A direction to support a whole of government approach under section 107 of the Crown Entities Act 2004 can be used where the government has decided on a multi-agency approach, and there are benefits from applying this to some or all Crown entities (including Crown Agents). Crown entities must give effect to a section 107 direction as soon as it comes into force (or where the direction itself specifies a later date).
- 14 All of government directions to Crown Agents can be issued jointly by the Minister of Finance and the Minister for the Public Service under section 107(1) of the Act. Directions may be issued to support a whole of government approach by specifying requirements for the purposes set out in s 107 of that Act. For this proposed direction, these specified purposes include
 - 14.1 “to improve (directly or indirectly) public services” under section 107(1)(a) and
 - 14.2 “to manage risks to the Government’s financial position” under section 107(1)(e).
- 15 The table below sets out how this proposed direction aligns with the purposes set out in paragraph 14.

Section 107(1)(a): to improve (directly or indirectly) public services	Section 107(1)(e): to manage risks to the Government’s financial position
- Interpreted to mean the quality or quantity of public services is made better or the way in which public services are delivered is improved - The direction will ensure Crown Agents deliver their public services in a low-emissions manner, which helps to ensure a stable transition and their ongoing delivery into the future	- Interpreted to mean mitigating the exposure of the government’s finances/ assets/ etc to harm or loss and avoid negative impacts both now and in future - The direction will support Crown Agents to make operational efficiencies and cost savings - The direction will support Crown Agents to avoid

- The direction ensures Crown Agents are aligned with New Zealand's national and international commitments and are adapted to work in a low-emissions future context - The direction will drive change in Crown Agents' activities, such as optimising their use of resources, modernising their infrastructure, improving staff productivity and wellbeing, reducing pollution, encouraging innovation in the supply chain and finding more efficient ways to operate	growing costs associated with emissions-intensive activities (eg, pass through costs from the Emissions Trading Scheme) and spread costs to manage future risks - The direction will reduce litigation risks on government by demonstrating action to reduce the emissions from Crown Agents' own activities - The direction will drive changes so that Crown Agents are supporting wider efforts to reduce climate change and therefore lower risks to assets, land and infrastructure from more extreme weather events
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Outcome of the consultation and scope – most Crown Agents are supportive

- 16 Before issuing a direction under this section, the joint Ministers must consult with those entities to which the direction is proposed to apply and persons representative of the interests of persons likely to be substantially affected by the proposed direction. There are also notification and presentation requirements covered in further detail below.
- 17 Officials consulted Crown Agents on draft direction text setting out the requirements of the Carbon Neutral Government Programme between 30 June and 11 August 2021. Crown Agents were broadly supportive of the draft direction through their feedback¹.
- 18 No Crown Agents expressed opposition to the draft direction, although one Crown Agent (the Civil Aviation Authority) gave feedback that it is unable to meet the expectations of the Programme from FY2022/23 due to its funding position. Following further context provided by Treasury and Ministry for the Environment officials, CNGP Ministers agreed that all Crown Agents should remain part of the Programme.
- 19 Concerns raised by Crown Agents included:

¹ 37 of 47 Crown Agents engaged with officials during the consultation process. The Crown Agents that did not respond during the consultation period have subsequently responded to further follow up by officials.

- 19.1 resourcing for the work, such as requiring the use of baselines to fund the work, lack of internal capacity and expertise, insufficient funding to implement reductions
 - 19.2 reducing emissions in line with a 1.5 degree pathway whilst delivering on government commitments, for example, undertaking non-discretionary activity whilst reducing gross emissions could sometimes result in conflicting goals for organisations to manage (particularly given the direction covers corporate and operational emissions), and
 - 19.3 the cost and impact of potential future offsetting on service delivery (noting that the direction text excludes offsetting, since there is further work underway on this aspect of the Programme).
- 20 There were also queries and clarifications raised around measuring and reporting emissions, and target-setting.
- 21 To address this feedback, amendments were made to the draft direction text on which Crown Agents were consulted, and some clarifications were made within the guidance issued to organisations by the Ministry for the Environment to support them in their emissions measurement and reduction journeys.

Final proposed text for the direction – changes have been made to address the feedback provided

- 22 The final proposed text for the direction covers the requirements set out in paragraph 10, with further detail on what emissions sources must be covered, what information the Crown Agents must provide to the Programme Lead and in their annual reports, and the review of information over time to track progress.
- 23 The final proposed text for the direction can be found in Appendix 2, which incorporates the feedback provided by Crown Agents, and further input from officials at the Ministry for the Environment, Treasury and the Public Service Commission.
- 24 Key changes made to the direction text following consultation with Crown Agents included clarifications on the emissions sources for reporting, further detail on what agencies include in their qualitative commentary about their emissions progress to articulate challenges they are facing, and what review processes are in place as the Programme evolves.
- 25 There may be uneven impacts across agencies due to differing starting points, emissions sources and emissions profiles. Officials will, in 2025, 2028 and 2030, review progress over time and address any emerging challenges once there is further information on agencies' emissions, progress against targets and reduction initiatives (see Appendix 2, paragraph 7).

s 9(2)(h)

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s 9(2)(h)

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Lastly, the direction will also be subject to Select Committee scrutiny. Following Cabinet approval of the content of the direction, the Minister of Finance and Minister for the Public Service intend to jointly issue the direction, notify the affected entities, and present the direction and any relevant material to the House. Under Standing Order 383, a select committee may examine the direction and report to the House. The House may resolve to disapply the direction. If not disapplied, the direction will come into force 15 sitting days after it is presented to the House.

Financial Implications

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In the establishment of the Programme, Ministers agreed that initial funding to implement the Programme comes from agency baselines and that funding to support initial priority areas for reductions will come from the State Sector Decarbonisation Fund [CAB-20-MIN-0491 refers].

33

Several Crown Agents raised resourcing challenges through the consultation including the required use of baselines, lack of internal capacity and expertise and lack of funding for implementing reductions. The requirements may place additional costs on agencies to implement emissions reduction initiatives, although such initiatives could also lead to efficiencies and savings as set out in paragraph 15.

34

Some agencies may not have sufficient resourcing through baselines to cover the additional contingent liabilities and costs to achieve the direction's emissions targets. Whilst the State Sector Decarbonisation Fund can help with some capital expenditure to enable emissions reductions, it is on a 'first in, first served' basis and offers part-funding. Therefore, there is a risk that some agencies' non-discretionary functions could be affected. As the Programme evolves, further funding will likely be required to help agencies overcome barriers to reducing their emissions.

- 35 Costs are currently unknown as Crown Agents have not yet completed their first year of emissions measurement and reporting. They will submit their emissions information, targets and reduction plans to the Ministry for the Environment in December 2023 (tranche 1 agencies will submit this information a year earlier). Further analysis can then be undertaken to ascertain some of the expected costs, barriers and challenges that the Programme may need to help resolve.
- 36 Offsetting is excluded from this direction, so Crown Agents will not be required to offset as a result of this direction. Given the broader intent of the Programme to be carbon neutral, concerns have nevertheless been expressed over the potential costs of offsetting particularly on agencies with large construction-related portfolios such as housing and transport. ^{s 9(2)(f)(iv)}
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Legislative Implications

- 37 The proposal for this direction to be approved by Cabinet and issued does not require a regulation or a bill. The direction needs to be presented to the House and enters into force 15 sitting days later, after which it must be published in the Gazette.
- 38 In the longer term, Carbon Neutral Government Programme Ministers have agreed legislative change through the Climate Change Response Act 2002 will be pursued. This direction enables Crown Agents to be mandated to follow requirements in the meantime, to enable the timeframes of the Programme to be realised.

Te Tiriti o Waitangi Implications

- 39 In the widest context, climate change impacts are a significant issue for Māori (for example, the Wai 2607 claim). There are expected to be limited direct effects of the Programme on iwi and Māori. The direct impact of the Programme will be on the organisations included within it, their employees and any other building inhabitants of these organisations, which may include Māori individuals. Programme participants will be reminded to consider the impacts of reducing their emissions on iwi/Māori and wider community.

Impact Analysis

Regulatory Impact Statement

- 40 There are no regulatory proposals in this paper, and therefore Cabinet's impact analysis requirements do not apply.

Climate Implications of Policy Assessment

- 41 As noted in the previous Cabinet Papers on the establishment of the Carbon Neutral Government Programme [CAB-MIN-0491 and CBC-21-MIN-0030 refer] CIPA requirements apply since an objective of the Programme is to

reduce greenhouse gas emissions. However, collecting emissions data is one aspect of the Programme, and, in the case of Crown Agents, will be submitted in December 2023. After this, a full CIPA will be undertaken.

- 42 The CIPA team notes that some of the abatement options that participants could take to reduce emissions will be high cost. Participants should consider the cost of abatement options alongside the shadow emissions price to inform decisions on the cost-effectiveness of emissions reduction options².

Consultation

- 43 The Crown Entities Act 2004 sets out that the Ministers must consult with those entities to which the direction is proposed to apply; and with people that the Ministers consider are representative of the interests of persons likely to be substantially affected by the proposed direction.
- 44 Crown Agents were consulted over a period of 6 weeks in July/August 2021, including two workshops to explain what the direction text would mean. The draft direction text was also sent for information to the Crown Agents' monitoring Departments. See paragraphs 17-21 for details of the feedback provided.
- 45 Consultation on this Cabinet Paper was undertaken with the Ministry of Health, Ministry of Business, Innovation and Employment, Ministry for Culture and Heritage, Ministry of Justice, Treasury, Ministry of Transport, Department of Internal Affairs, Ministry of Social Development, Ministry of Education, Ministry for the Environment, Ministry of Housing and Urban Development, Ministry of Primary Industries and Ministry of Foreign Affairs and Trade (all monitoring Departments of Crown Agents), as well as the Public Service Commission, in November 2021. Agencies that responded were generally supportive with no feedback or feedback that related predominantly to operational matters and clarifying supplementary guidance.

Communications

- 46 As set out in the Crown Entities Act 2004, Ministers must, as soon as practicable after giving a direction under section 107, notify the entities to which the direction will apply that the direction has been given and will come into force subject to section 109; and present the direction to the House of Representatives. If the direction is confirmed, the direction will be published in the Gazette and on the internet as soon as is practicable.
- 47 The Ministry for the Environment, as Programme Lead, will notify Crown Agents of these steps when they happen.

² The shadow emissions price is a measure of the cost or benefit to the Government of increased or avoided emissions based on estimates of future costs of emissions reductions (abatement) required to reach New Zealand's emissions targets

- 48 The guidance provided to agencies on measuring and reporting their emissions supports them with additional context to help ensure they are able to follow the requirements set out in this direction.

Proactive Release

- 49 Note that all Cabinet and Cabinet committee papers and minutes will be proactively released within 30 business days of decisions being confirmed by Cabinet, unless there is a good reason not to publish all or part of the material under the Official Information Act 1982.

Recommendations

The Minister of Finance, the Minister for the Public Service, the Minister for Economic and Regional Development and the Minister of Climate Change recommend that the Committee:

- 1 note that in November 2020, Cabinet agreed to establish the Carbon Neutral Government Programme ('the Programme'), a long-term work programme that aims to make a number of government organisations carbon neutral from 2025, and help them accelerate their emissions reduction journeys [CAB-20-MIN-0491 refers];
- 2 note that in April 2021, Cabinet agreed the preferred approach to ensuring Crown Agents comply with the proposed reporting requirements under the Programme is through a direction to support a whole of government approach issued under section 107 of the Crown Entities Act 2004 and agreed that Crown Agents be consulted [CBC-21-MIN-0030 refers];
- 3 note that under section 107 of the Crown Entities Act 2004, the Minister of Finance and the Minister for the Public Service may jointly direct Crown entities to support a whole of government approach by complying with specified requirements;
- 4 note that Crown Agents were broadly supportive of the direction but raised concerns about resourcing, reducing emissions in line with a 1.5 degree pathway whilst delivering on government commitments, and the cost and impact of potential future offsetting on service delivery (noting that the direction text does not cover offsetting, since there is further work underway on this aspect of the Programme);
- 5 note that no Crown Agents expressed opposition to the draft direction, although one Crown Agent (the Civil Aviation Authority) gave feedback that it is unable to meet the expectations of the Programme from FY2022/23 due to its funding position;
- 6 note that CNGP Ministers agreed all Crown Agents should remain part of the Programme;
- 7 note that a section 107 direction remains the best available option to achieve the objectives and timeframes agreed to by Cabinet [CAB-20-MIN-0491 refers], ^{s 9(2)(h)}

s 9(2)(h)

- 8 note that costs for Crown Agents to reduce emissions are currently unknown since emissions measurement and reporting is not yet complete, and that more analysis on costs and barriers will be undertaken once this information is gathered;
- 9 agree to the proposed final text of the whole of government direction to be issued by the Minister of Finance and the Minister for the Public Service to all Crown Agents under section 107 of the Crown Entities Act 2004 as set out in Appendix 2;
- 10 note the Minister of Finance and the Minister for the Public Service intend to issue the whole of government direction in Appendix 2, notify affected entities, and present the direction and any relevant material to the House of Representatives, subject to Cabinet approval of recommendation 9;
- 11 note that the direction will enter into force 15 sitting days after presentation to the House;
- 12 note that the direction will be published in the Gazette as soon as practicable after entry into force.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

Hon Chris Hipkins

Minister for the Public Service

Hon Stuart Nash

Minister of Economic and Regional Development

Hon James Shaw

Minister of Climate Change

Appendix 1: Crown Agents part of the Carbon Neutral Government Programme

- 1 The table below sets out all the Crown Agents and which milestones apply to them.

	Measure, verify and report emissions	Phase out coal boilers	Purchase EVs and reduce fleet size	NABERSNZ rating requirement for large buildings
Accident Compensation Corporation	directed	X	X	X
Callaghan Innovation	directed	X	X	X
Civil Aviation Authority of New Zealand	directed	X	X	X
District Health Boards (20)	directed	X	X	
Earthquake Commission	directed	X	X	X
Education New Zealand	directed	X	X	X
Energy Efficiency and Conservation Authority	directed	X	X	X
Environmental Protection Authority	directed	X	X	X
Fire and Emergency New Zealand	directed	X	X	X
Health Promotion Agency	directed	X	X	X
Health Quality and Safety Commission	directed	X	X	X
Health Research Council of New Zealand	directed	X	X	X
Kāinga Ora – Homes and Communities	directed	X	X	X
Maritime New Zealand	directed	X	X	X
New Zealand Antarctic Institute	directed	X	X	X
New Zealand Blood Service	directed	X	X	voluntary
New Zealand Qualifications Authority	directed	X	X	X
New Zealand Tourism Board	directed	X	X	X
New Zealand Trade and Enterprise	directed	X	X	X
New Zealand Walking Access Commission	directed	X	X	X
Pharmaceutical Management Agency	directed	X	X	X
Real Estate Agents Authority	directed	X	X	X
Social Workers Registration Board	directed	X	X	X
Sport and Recreation New Zealand	directed	X	X	X
Taumata Arowai – the Water Services Regulator	directed	X	X	X
Tertiary Education Commission	directed	X	X	X
Waka Kotahi - New Zealand Transport Agency	directed	X	X	X
WorkSafe New Zealand	directed	X	X	X

Appendix 2: Final proposed text for approval

Direction to Support a Whole-of-Government Approach, Given to the House of Representatives by the Minister for the Public Service and the Minister of Finance Under Section 107 of the Crown Entities Act 2004

1. The Minister for the Public Service and the Minister of Finance, pursuant to section 107 of the Crown Entities Act 2004, direct the agencies subject to this direction as follows:
 - o All Crown Agents (as referenced in the Crown Entities Act 2004, Schedule 1 Part 1) must give effect to all of the requirements in clause 5.

Application of Direction

2. This direction sets out requirements for agencies to implement the Carbon Neutral Government Programme (CNGP). The CNGP has been set up to accelerate emissions reductions across the public sector. It will ensure that government agencies, alongside businesses and communities, are leading the way to reduce emissions as we transition to a low-emissions, resilient economy, and ensures agencies adapt to operate in a low-emissions future. The objective is for agencies to reduce their gross emissions and to be carbon neutral by 2025.
3. Agencies are exempt from the requirements set out in clause 5 for the first financial year following their establishment, although they should factor in the requirements for their system set up and may choose to meet some or all of these requirements earlier.

Definitions

4. In this direction:
 - a. **Emissions** means greenhouse gases (as defined in section 4(1) of the Climate Change Response Act 2002) emitted into the atmosphere that trap heat in the atmosphere and cause the greenhouse effect, resulting in global warming
 - b. **1.5 degree pathway** means setting individual agency targets in line with limiting the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels
 - c. **Programme Lead** means the lead agency coordinating the CNGP, currently the Ministry for the Environment.

Requirements

5.
 - a. The agency must measure and prepare a report on their emissions (greenhouse gas emissions inventory) from all their facilities, assets, activities and operations for each financial year from July 2022-June 2023 onwards in accordance with the criteria stated in the international standards ISO14064-1 (2018) or the Greenhouse Gas Protocol, or subsequent updates to these standards. This inventory must be verified by an independent third party organisation in accordance with ISO14064-3 (2019) or ISAE 3410³. Emissions reported on must include all scope 1, all scope 2, and specified scope 3 emissions (see Table 1), and any additional scope 3 emissions that

³ Acceptable levels of assurance include reasonable or limited assurance but reasonable assurance should be obtained where practicable. Note agencies' independent provider of assurance should conduct the assurance engagement in accordance with the Assurance Engagements on Greenhouse Gas Statements (ISAE (NZ) 3410) standard or the ISO 14064-3:2019 standard, or subsequent updates to these standards.

are material⁴ to the agency, to the extent possible, acknowledging that developing complete inventories may take several years.

Table 1 – Mandatory emissions sources for reporting - in tonnes of carbon dioxide equivalent (tCO₂e)

All scope 1 emissions	All scope 2 emissions	Mandatory scope 3 emissions and material scope 3 emissions
Category 1 Direct GHG emissions	Category 2 Indirect GHG emissions from imported energy	Categories 3, 4, 5 and 6 Indirect GHG emissions from transportation, products an organisation uses or supplies, or other sources
Examples: - Fuel use (eg, aviation fuel, biofuel and biomass (N₂O, CH₄), coal, diesel, light and heavy fuel oil, LPG, natural gas, petrol) - Refrigerant and other gas use (eg, HVAC, medical gases) - Composting - Wastewater treatment plant (owned) - Solid waste facilities (owned) - International operations (scope 1) - Agriculture and forestry (eg, enteric fermentation, fertiliser use, forest growth, forest harvest)	Examples: - Purchased electricity - Purchased heat or steam - International operations (scope 2)	Mandatory scope 3 emissions: - Staff travel for work (eg, domestic and international air travel, hotel stays, taxi, private car, public transport, rental vehicles) - Freight transport - Staff working from home - Transmission and distribution losses - Water supply - Wastewater services - Waste to landfill Material scope 3 emissions: - All other scope 3 emissions material to the organisation
Biogenic emissions mandatory to report but separated from scope 1 Examples: Biodiesel (the CO₂ from the biofuel proportion), Bioethanol (the CO₂ from the biofuel proportion), Biomass (the CO₂)		

- b. The agency must set gross emissions reduction targets for 2025 and 2030 consistent with a 1.5 degree pathway, measured against a base year set by the agency⁵, and based on the reduction potential within the agency. The agency must measure their progress towards their targets annually.
- c. The agency must develop and implement emissions reduction plans to help them reach their gross emissions reduction targets. These plans must be credible, meaning they must be realistic to implement, consistent with the agency's emissions reduction targets and in line with a 1.5 degree pathway.

⁴ Material (scope 3) emissions mean other significant indirect sources that an agency is responsible for. Advice to determine the significance of an emission source is provided in the technical guidance. Note that any emissions source can be excluded if the individual emission source is 'de minimis' meaning less than 1% of an agency's total inventory. The total of all sources excluded for being de minimis should not exceed 5% of the total inventory. Agencies need to disclose and justify any specifically excluded emissions sources. It is acknowledged that some emissions sources can take time to collect, and data improvements will occur over several years.

⁵ A base year must cover 12 consecutive months of verified data, or an average of up to 3 consecutive years of verified annual data. The base year agencies submit to the Programme Lead (Ministry for the Environment) and use as a foundation for their greenhouse gas emissions reduction target must be no earlier than 1 July 2015 to 30 June 2016, be representative of their typical emissions profile and be verified/assured.

- d. The agency must provide their latest annual emissions, reduction plans and progress towards their gross emissions reduction targets to the Programme Lead by 1 December each year, commencing in December 2023. This must cover:

- Total annual emissions (including all mandatory and material emissions scopes/sources) for the previous financial year (July-June), reported as total tonnes of carbon dioxide equivalent units (tCO₂e)
- Emissions profile broken down by emissions source/scopes (tCO₂e)
- Base year period and total emissions (tCO₂e)
- The consolidation approach chosen (control or equity share)⁶
- Full time equivalent of staff (FTE) in the reporting period (based on what is reported in the agency's annual report)
- Total expenditure in the reporting period that most closely matches the agency's organisational boundary for emissions reporting (based on what is reported in the agency's annual report)
- Change in total emissions each subsequent year compared to the base year (tCO₂e)
- 2025 and 2030 gross emissions reduction targets (%) - this must be a combined total across all scopes/sources, and can also be broken down by scope/source
- Progress towards 2025 and 2030 targets compared to base year (%)
- Qualitative commentary on results: the agency must explain
 - their initiatives for reducing emissions and progress towards these, and
 - the context of their emissions inventory and progress, for example, any data gaps, emissions sources excluded and why, challenges or significant changes experienced, and plans for improvement over time.

- e. The agency must include specified information in their annual report for the financial year to which it relates (from 2022/23 onwards). This must cover:

- Total annual emissions (including all mandatory and material emissions scopes/sources) for the financial year to which the annual report relates (July-June) (tCO₂e)
- Emissions profile broken down by emissions source/scopes (tCO₂e)
- 2025 and 2030 gross emissions reduction targets (%) - this must be a combined total across all scopes/sources, and can also be broken down by scope/source
- Progress towards 2025 and 2030 targets compared to base year (%)
- Qualitative commentary on results: the agency must explain
 - their initiatives for reducing emissions and progress towards these, and
 - the context of their emissions inventory and progress, for example, any data gaps, emissions sources excluded and why, challenges or

⁶ Control means the organisation accounts for all greenhouse gas emissions from facilities over which it has financial or operational control. Equity share means the organisation accounts for its portion of greenhouse gas emissions from respective facilities.

significant changes experienced, and plans for improvement over time.

Review

6. Summarised information submitted to the Programme Lead will be collated annually by the Programme Lead, shared with Ministers and made publicly available.
7. Gross emissions reductions targets will be reviewed in 2025, 2028 and 2030 by the Programme Lead to ensure they are ambitious but achievable, and take into account actual emissions data from agencies⁷. Collective progress on meeting agencies' 2025 and 2030 targets (based on reporting from the previous financial year) will be calculated in December 2025 and 2030.

Dated at Wellington this xxth day of MM YYYY.

Hon CHRIS HIPKINS, Minister for the Public Service

Hon GRANT ROBERTSON, Minister of Finance

⁷ Further work may be needed on the impact of non-discretionary activities on agencies' emissions and how such activity may be accounted for when setting targets.



Cabinet Economic Development Committee

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.

Carbon Neutral Government Programme: Issuing a Direction for a Whole of Government Approach to Crown Agents

Portfolios **Finance / Public Service / Economic and Regional Development / Climate Change**

On 9 March 2022, the Cabinet Economic Development Committee:

Background

- 1 **noted** that on 30 November 2020, Cabinet agreed to establish the Carbon Neutral Government Programme (the Programme), a long-term work programme that aims to make a number of government organisations carbon neutral from 2025 and help them accelerate their emissions reduction journeys [CAB-20-MIN-0491];
- 2 **noted** that on 29 March 2021, the Cabinet Business Committee:
 - 2.1 agreed that the preferred approach to ensuring Crown Agents comply with the proposed reporting requirements under the Programme is through a direction to support a whole of government approach, issued under section 107 of the Crown Entities Act 2004;
 - 2.2 authorised the Minister of Finance and the Minister for the Public Service to consult with affected Crown Agents;

[CBC-21-MIN-0030]

Proposed direction

- 3 **noted** that under section 107 of the Crown Entities Act, the Minister of Finance and the Minister for the Public Service may jointly direct Crown entities to support a whole of government approach by complying with specified requirements;
- 4 **noted** that Crown Agents were broadly supportive of the proposed direction but raised concerns about resourcing, reducing emissions in line with a 1.5 degree pathway whilst delivering on government commitments, and the cost and impact of potential future offsetting on service delivery (noting that the proposed direction text does not cover offsetting, since there is further work underway on this aspect of the Programme);
- 5 **noted** that no Crown Agents expressed opposition to the draft direction, although one Crown Agent (the Civil Aviation Authority) gave feedback that it is unable to meet the expectations of the Programme from FY2022/23 due to its funding position;

- 6 **noted** that Carbon Neutral Government Programme Ministers have agreed that all Crown Agents should remain part of the Programme;
- 7 **noted** that:
- 7.1 a section 107 direction remains the best available option to achieve the objectives and timeframes agreed to by Cabinet [CAB-20-MIN-0491];
- 7.2 s 9(2)(h) [REDACTED]
- 8 **noted** that costs for Crown Agents to reduce emissions are currently unknown since emissions measurement and reporting is not yet complete, and that more analysis on costs and barriers will be undertaken once this information is gathered;
- 9 **agreed** to the proposed final text of the whole of government direction, attached as Appendix 2 to the paper under DEV-22-SUB-0029, to be issued by the Minister of Finance and the Minister for the Public Service to all Crown Agents under section 107 of the Crown Entities Act;

Next steps

- 10 **noted** that the Minister of Finance and the Minister for the Public Service intend to issue the whole of government direction referred to above, notify affected entities, and present the direction and any relevant material to the House of Representatives;
- 11 **noted** that the direction will enter into force 15 sitting days after presentation to the House;
- 12 **noted** that the direction will be published in the Gazette as soon as practicable after entry into force.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Kris Faafoi
Hon Willie Jackson
Hon Michael Wood
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV