

Climate Change Policy: Proposal for a Discussion Paper on Options to Reduce New Zealand's Greenhouse Gas Emissions Post – 2012

Reference number:

CBC Min (06) 17/16

Cover note

On Monday 2 October 2006, the Cabinet Business Committee (CBC) having been authorised by the Chair with power to act, considered the paper *Climate Change Policy: Proposal for a Discussion Paper on Options to Reduce New Zealand's Greenhouse Gas Emissions Post-2012*.

This paper (Ref: CBC (06) 273) and the associated Cabinet minute (Ref: CBC Min 06 17/16) are included. It is important to note that some of the timeframes for completion of work specified in this document are now out of date. More up-to-date information can be found as it becomes available at www.climatechange.govt.nz.

On 2 October 2006, the Cabinet Business Committee (CBC), having been authorised by the Chair with Power to Act:

Background

1 **noted** that on 23 May 2006 Cabinet:

1.1 directed officials to proceed with the whole-of-government work programme for climate change;

1.2 agreed that reports be made to the Cabinet Policy Committee (POL) on the whole-of-government climate change work programme, including, by 30 November 2006, on alternatives to the carbon tax [CAB Min (06) 18/8];

Work programme on alternatives to carbon tax

2 **noted** that the work programme on alternatives to the carbon tax focuses on longer-term policy measures that could be used to introduce a price for greenhouse gas emissions across the New Zealand economy post-2012;

3 **noted** that this work programme also considers alternative measures (for example, directive regulation, mandatory measures and other approaches) with a focus on emission reduction agreements and the use of regulations;

4 **noted** that:

4.1 this work programme contains strong linkages to the New Zealand Energy Strategy and the replacement National Energy Efficiency and Conservation Strategy;

4.2 stakeholder consultation should be co-ordinated to the extent practicable with these initiatives;

Proposed Discussion Paper

5. **noted** that there is an immediate need to create a platform for engaging with stakeholders on policies to reduce greenhouse gas emissions (both price-based and alternative measures) that could be applied across the economy in the longer term;

6. **agreed** to the use of a discussion paper as a basis for stakeholder consultation on policy options to reduce New Zealand's greenhouse gas emissions post 2012;

7. **agreed** that the primary objective of the discussion paper is to develop a consensus for the long-term direction of policies to reduce New Zealand's greenhouse gas emissions and that meaningful engagement with stakeholders is an essential part of this process;

8. **agreed** that the discussion paper should include the following key messages:

8.1 while there is uncertainty about the nature of future international climate change obligations, it is reasonable to expect that in the future there will be increased international efforts to mitigate climate change, and this will, directly or indirectly, have a moderate economic cost;

8.2 as the world's major industrialized economies move toward a low-carbon future, countries can apply price-based measures to support least-cost mitigation. Such measures can lessen the risk of investment decisions that lock assets into emissions-intensive production and compromise international competitiveness in the longer term;

8.3 in the design of New Zealand's climate change policy, it will be important to recognise the international context for actions taken in New Zealand, including the extent to which the world's major emitters take effective action;

8.4 the government expects that, over time, a mix of sectoral and economy-wide measures, will be needed to achieve New Zealand's climate change and other sustainable development objectives;

8.5 in the longer term, a broad price-based measure such as emissions trading could potentially be applied across major emitting and sequestering sectors of the New Zealand economy;

8.6 depending on the future international framework for climate change policy, a price-based measure with international linkages could allow New Zealanders access to least-cost mitigation opportunities in other countries;

8.7 although no decisions have been made, the government has a positive view on the use of economically efficient price-based measures applied broadly across the economy in the longer term (i.e., post-2012), provided such measures are consistent with New Zealand's sustainable development and the longer-term international climate change policy framework;

8.8 a level of uncertainty in developing New Zealand's climate change policies arises from the present uncertainty about the shape of future international agreements on climate change. To the extent of these uncertainties, it will be desirable to build flexibility into long-term policies so that they can adapt to changing conditions, and/or allow for conditionality in if and when, or how stringently, any particular policy measure might be applied. Against this, clearer specification of policies now provides greater certainty for investment and business planning and better guidance for the development of transitional measures;

8.9 shorter-term measures developed under sectoral work programmes should not preclude the implementation of broad-price-based measures in the longer term;

9 **noted** that while the discussion paper would inform stakeholders about the general application of price-based and alternative measures pre-2012, the design of specific shorter-term measures falls within the scope of the sectoral climate change work programmes underway;

Next steps

10 **invited** the Minister Responsible for Climate Change Issues to report to POL to seek approval for the release of the finalised discussion paper;

11 **agreed** to defer the report on the work programme referred to in paragraph 1.2 until February 2007 given the requirement for adequate consultation on the proposed discussion paper;

12 **agreed** that the report to POL referred to in paragraph 11 will recommend a preferred approach for reducing New Zealand's greenhouse gas emissions post-2012;

13 **noted** that, subject to Cabinet decisions at the time of the report referred to in paragraph 11, a second stage of formal consultation under this work programme will be undertaken later in 2007, focusing on the design detail of a narrower (and possibly preferred) set of policy options for reducing New Zealand's greenhouse gas emissions post-2012;

14 **noted** that the second stage of formal consultation under this work programme will be co-ordinated where possible with consultation on other climate change work programmes;

15 **noted** that the Minister Responsible for Climate Change Issues intends to release the paper under CBC (06) 273, with appropriate withholdings;

16 **noted** that the Minister Responsible for Climate Change Issues indicates that consultation is not required with the government caucuses or other parties represented in Parliament.