



Cabinet

Minute of Decision

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Climate Change Commission: Funding Transfer Request

Portfolio Climate Change

On 7 September 2020, Cabinet:

- 1 **noted** that:
 - 1.1 the Climate Change Commission has additional work to undertake in Financial Year 2020/21, beyond what was originally planned for and resourced;
 - 1.2 this work reflects;
 - 1.2.1 requests made by the Minister for Climate Change under section 5K of the Climate Change Response Act 2002;
 - 1.2.2 new responsibilities assigned under the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 (the ETR Amendment);
- 2 **agreed** to bring forward Climate Change Commission funding of \$0.880 million from future years' appropriation to enable it to undertake the additional work associated with the section 5K requests in paragraph 1.2.1 above and to scope and cost the new responsibilities assigned as part of the ETR Amendment;
- 3 **approved** the following changes to appropriations to give effect to the decision in paragraph 2 above with a corresponding impact on the operating balance:

Vote Environment	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24
Minister for Climate Change				
Non-Departmental Output Expense:				
Climate Change Commission - Advisory and Monitoring Function	0.880	-	-	(0.880)
Total Operating	0.880	-	-	(0.880)

- 4 **agreed** that the changes to appropriations in paragraph 3 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Michael Webster
Secretary of the Cabinet

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the Official Information Act 1982

In Confidence

Office of the Minister for Climate Change

Cabinet Business Committee

Request to bring forward funding for the Climate Change Commission

Proposal

- 1 This paper seeks approval to bring forward \$0.880 million from future years' appropriation of the Climate Change Commission. This is to enable additional work to be undertaken in FY2020/21, as follows:
 - 1.1 my requests under section 5K of the Climate Change Response Act 2002 (CCRA) for a report on New Zealand's first Nationally Determined Contribution (NDC) and advice on potential reductions in biogenic methane emissions – both to be delivered within FY2020/21¹
 - 1.2 new responsibilities given to the Commission under the Climate Change Response (Emissions Trading Reform) Amendment Act, which was enacted in June 2020.

Relation to Government Priorities

- 2 The Commission's work programme directly reflects two of the Government's key issues in [Our Plan](#) – 1D. *Transition to a clean, green carbon neutral New Zealand* and 3D. *Create an international reputation we can be proud of.*

Background

Role of the Climate Change Commission

- 3 The Commission was established in December 2019 under the Climate Change Response (Zero Carbon) Amendment Act 2019. The Commission's purposes are to provide independent, expert advice to the Government on mitigating climate change and adapting to the effects of climate change, and to monitor and review the Government's progress towards its emissions reduction and adaptation goals.

Statutory Responsibilities

- 4 The Commission's work programme is set out in legislation. The CCRA specifies what the Commission must deliver and when, and how it must develop its advice and reports. Any changes to defined processes, timing or end results require amendments to the legislation. The Minister for Climate Change can also request additional advice, as set out in section 5K of the CCRA.

¹ See appendices A and B.

Additional work under Section 5K of the CCRA

- 5 In April 2020, I requested that the Commission provide me with additional advice¹ on New Zealand's contribution to global efforts under the Paris Agreement to limit the global average temperature increase to 1.5°C above pre-industrial levels, as noted by Cabinet [CAB-20-MIN-0149 refers]. This advice covers two topics:
- 5.1 Biogenic methane – to inform New Zealand's understanding of the potential reductions in biogenic methane emissions which might eventually be required by New Zealand.
 - 5.2 New Zealand's first Nationally Determined Contribution (NDC), which reflects our international emissions reduction commitments for the period 2021-2030 – to provide advice on whether the NDC is compatible with the 1.5°C temperature goal.
- 6 No additional resources were provided to the Commission at the time I requested they undertake this additional work. This proposal confirms the resourcing needed now the work is scoped, in order to deliver these requests.

Additional responsibilities arising from the Climate Change Response (Emissions Trading Reform) Amendment Act (ETR Amendment)

- 7 The ETR Amendment gave the Commission a number of new responsibilities, as agreed by Cabinet [CAB-19-MIN-0550, CAB-19-MIN-0480, ENV-18-MIN-0053 refer], for which scoping work needs to begin in FY2020/21. The new responsibilities include:
- 7.1 recommendations about limits and price control settings for units in the New Zealand Emissions Trading Scheme (ETS)
 - 7.2 recommendations about phase-out rates for industrial allocation
 - 7.3 advice on progress towards primary sector climate change commitments and farmers' readiness to comply with reporting and surrender obligations
 - 7.4 advice on what assistance, if any, should be given to participants in an alternative pricing system for farm-level agriculture emissions.
- 8 These new responsibilities ensure that recommendations and advice are consistent, coherent, based on independent research and analysis, and take into account interdependencies and wider context. This process increases the government's accountability, and bolsters public confidence in decisions made.
- 9 These new responsibilities do not take effect until 2022, but given the work and engagement involved, the Commission must begin to scope the programme and necessary resourcing in FY2020/21.

Analysis

Requesting further funding cannot wait until Budget 2021

- 10 The appropriation set for the Commission's first four years of operations (2019 to 2022, plus out-years) reflects the original statutory workplan in the CCRA, as set out in the table below for the current forecast period. The additional work described is not covered by the appropriation and requires additional specialist resources.

	\$m			
Vote Environment Minister for Climate Change	2020/21	2021/22	2022/23	2023/24
Non-Departmental Output Expense: Climate Change Commission - Advisory and Monitoring Function	8.535	10.035	10.035	10.035

- 11 The Commission was only recently established (December 2019) and has not had time to build up reserves on which to draw for this additional work.
- 12 The timing of the Commission's establishment meant it was not able to seek funding in the Budget 2020 round. Requesting funding to be brought forward from future years is required as the work needs to be completed in FY2020/21 to meet the deadlines set out in legislation and in my additional request.

Cost Pressure of COVID-19

- 13 The impact of COVID-19 means the Commission needs to reassess some of the work already done to ensure it is still applicable (e.g., re-running existing models, re-estimating impacts, reconsidering baseline emissions projections), and to undertake further work (e.g., assessing impacts of COVID-19 policy responses).
- 14 The Commission sought \$740,000 in additional funding through the June COVID-19 Response and Recovery Fund process. The application was not approved. These COVID impacts put further pressure on the Commission's work programme, leaving no room for unexpected costs or additional work and no cash reserve for the future.

Funding is not available within Vote Environment

- 15 The Ministry for the Environment (MfE) is not in a position to absorb the Commission's additional funding requirements. MfE has a large programme to deliver in FY2020/21 which has been further increased with COVID response activities. MfE's business planning for FY2020/21 identified that the Ministry is facing a number of its own cost pressures in the coming year (and out-years).

- 16 MfE's cost pressures include an ambitious work programme, a major building move, Auckland and Christchurch lease increases, and committed remuneration and inflation increases on a growing workforce base (wage growth is set under the current collective agreement, and forecast to continue to grow). Several existing climate change work programmes such as the ETS Auctioning Platform and the Land Use Carbon Analysis System are already short of funding; further cuts could critically undermine their delivery.
- 17 The Commission has assessed its work programme to identify opportunities for reprioritisation. Since the timing of the Commission's core work programme is laid out in the CCRA, there is no opportunity to delay this work until FY2021/22.

Lack of funding will undermine Government priorities

- 18 Without bringing some funding forward, the Commission will be unable to deliver the additional work. This delay could have implications for the work underway across Government to meet the legislative requirements of the CCRA. This broader work includes the Commission's recommendations on the first three emissions budgets and advice on the first emissions reduction plan, and policy instruments linked to He Waka Eke Noa².
- 19 New Zealand submitted a public communication to the United Nations Framework Convention on Climate Change (UNFCCC) about our NDC in April 2020. Our communication made it clear that the Commission will assess the compatibility of our existing NDC with the global 1.5°C temperature goal and any changes needed and provide a report back in early 2021. This approach was agreed by Cabinet [CAB-20-MIN-0149 refers]. If the Commission is not resourced to complete this work during FY2020/21, there are:
- 19.1 reputational risks to the New Zealand Government domestically and internationally from not meeting our commitments. Failing to live up to our word could diminish New Zealand's ability to influence other countries to comply with the Paris Agreement
 - 19.2 risks to the Commission meeting its statutory requirements
 - 19.3 a risk to the Commission's own reputation for not delivering on what it has been requested to do, undermining public confidence.
- 20 Delays to advice on the potential reductions in biogenic methane emissions would affect the timely design of policy instruments in He Waka Eke Noa to reduce agricultural emissions (including methane). A durable policy approach requires greater certainty about the long-term reductions in biogenic methane emissions required to limit warming to 1.5 degrees.

² 'He Waka Eke Noa – Primary Sector Climate Action Partnership' is an innovative partnership between Government, farming leaders, and iwi/Māori to reduce agricultural greenhouse gas emissions

- 21 Delaying the work necessary to meet responsibilities under the ETR Amendment would risk compromising the quality of the Commission’s advice, since the deadlines are fixed in the CCRA. Lower quality work could affect the design of related policy instruments, and the reputation of the Commission.

Commission Staffing

- 22 The Commission is a small entity with 38 permanent and temporary FTE. Most of the staff are technical experts in a range of specialist fields; the ability to move staff between workstreams is very restricted.
- 23 Staff are already working beyond capacity; there is no room to assign additional work to individuals. Staff have consistently reported their workloads are above their contracted hours, with 15 to 20 per cent saying that the workload is becoming unmanageable. This burden creates a risk of turnover; creating further delays to meeting statutory deadlines.

Financial Implications

- 24 The Commission is funded as a non-departmental output expense within Vote Environment. The existing appropriation for FY2020/21 is \$8.535 million. The financial implication of this proposal is an increase of \$0.880 million to the Commission’s appropriation in FY2020/21, which would total \$9.415 million, and a reduction to \$9.155 million in FY2023/24.
- 25 The table below sets out the costs of the additional work proposed for FY2020/21. Calculations are based on 10 months’ funding with a 5 per cent contingency as the skills required for the work are uncommon and in demand.

Work package	Resource	FTE	Value
Section 5K of CCRA – Biogenic Methane and NDC	Principal analyst	1.0 FTE, 10 months fixed term	\$ 166,667
	Senior analyst	2.0 FTE, 10 months fixed term	\$ 208,333
	Supplier contract – modelling		\$ 150,000
	Recruitment and equipment	\$15,000/head x 3	\$ 45,000
		Subtotal	\$ 570,000
ETS settings	Senior Analyst	0.5 FTE, adjusted for 10 months in FY2020/21	\$ 52,083
Advice on progress towards primary sector climate change commitments	Senior Analyst	1.00 FTE, adjusted for 5 months in FY2020/21	\$ 52,083
Agricultural allocation in alternative pricing system	Senior Analyst	1.00 FTE, adjusted for 5 months in FY2020/21	\$ 52,083

Work package	Resource	FTE	Value
Industrial allocation phase out	Senior Analyst	1.00 FTE, adjusted for 5 months in FY2020/21	\$ 52,083
	Recruitment and equipment	\$15,000/head x 4	\$ 60,000
		Subtotal	\$ 268,332
	Contingency @ 5%	To allow for any difficulties in recruiting key skills	\$ 41,916
		Total requested	\$ 880,248

Legislative Implications

26 There are no legislative implications for this proposal.

Climate Implications of Policy Assessment

27 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms the CIPA requirements do not apply to this proposal as there is no direct impact on emissions. This proposal may have an indirect impact on emissions as it will help the Commission to provide high-quality, robust and timely advice to support the New Zealand Government in implementing emissions reduction policies.

Population Implications

28 The additional work requested of the Commission has the potential to impact all New Zealanders by providing the Government with high-quality advice on aspects of climate change.

Te Tiriti o Waitangi Implications

29 Engagement with iwi and Māori has not been undertaken in the drafting of this proposal, as it is a request to bring forward funding to enable the Commission to undertake additional work in FY2020/21. More broadly, it is essential Māori are actively involved in the transition to a low-emissions economy, in order to ensure Māori interests are represented and protected.

30 Under the CCRA, the emissions reduction plan must actively consider how the transition will affect iwi and Māori and contain a strategy that recognises and mitigates the impacts reducing emissions will have on iwi and Māori. The CCRA also requires the Minister for Climate Change to be satisfied iwi and Māori have been adequately consulted.

31 The Climate Change Commission will undertake their own independent consultation with iwi and Māori on the first three emissions budgets and the direction of the first emissions reduction plan in early 2021.

Consultation

32 Consultation has been undertaken with the Climate Change Commission, Treasury and Ministry of Foreign Affairs and Trade in preparing this proposal.

Proactive Release

33 The Minister intends to proactively release this Cabinet paper in full.

Recommendations

I recommend that the Cabinet Business Committee:

- 1 **note** the Climate Change Commission has additional work to undertake in FY2020/21 beyond what was originally planned for and resourced. This work reflects a) requests made by me under section 5K of the CCRA and b) new responsibilities assigned as part of the recently enacted Climate Change Response (Emissions Trading Reform) Amendment Act.
- 2 **agree** to bring forward Commission funding of \$0.880 million from future years appropriation to enable it to undertake the additional work associated with section 5K of the CCRA and to scope and cost the new responsibilities assigned as part of the recently enacted Climate Change Response (Emissions Trading Reform) Amendment Act.
- 3 **approve** the following changes to appropriations to give effect to the policy decision in recommendation two above with a corresponding impact on the operating balance:

	\$m - increase/(decrease)			
	2020/21	2021/22	2022/23	2023/24
Vote Environment				
Minister for Climate Change				
Non-Departmental Output Expense:				
Climate Change Commission - Advisory and Monitoring Function	0.880	-	-	(0.880)
Total Operating	0.880	-	-	(0.880)

4 **agree** the proposed changes to appropriations above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Authorised for lodgement

Hon. James Shaw

Minister for Climate Change

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the Official Information Act 1982

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the Official Information Act 1982



Dr Rod Carr
Chair of the Climate Change Commission

By email: Roderick.Carr@climatecommission.govt.nz

20 April 2020

Dear Rod,

Further to my letter of 18 February and subsequent conversations with you, I am writing to confirm my request for advice and to provide the terms of reference.

ADVICE ON BIOGENIC METHANE

First, I request advice from the Commission regarding New Zealand's biogenic methane emissions.

I make this request under Section 5K of the Climate Change Response Act (the Act), which provides for the Climate Change Minister to request advice of the Commission on matters relating to climate change.

The purpose of the advice for biogenic methane is to inform New Zealand's understanding of the potential reductions in biogenic methane emissions which might eventually be required by New Zealand as part of a global effort under the Paris Agreement to limit the global average temperature increase to 1.5°C above pre-industrial levels.

ADVICE ON NEW ZEALAND'S FIRST NATIONALLY DETERMINED CONTRIBUTION UNDER THE PARIS AGREEMENT

Second, I request a review of New Zealand's first Nationally Determined Contribution (NDC) for the period 2021 to 2030. The review should assess if the NDC should be revised to make it consistent with the global 1.5°C temperature goal.

I also make this request under Section 5K of the Act.

I consider a review necessary to ensure consistency between the NDC and the more recent temperature and emissions reductions goals in the Act after its amendment in 2019; and because the science has evolved considerably since the NDC was lodged in 2016 (in particular, the IPCC's 2018 Special Report on Global Warming of 1.5°C). Under the Paris Agreement, New Zealand has committed to update its first NDC this year.

I had hoped to be in a position to ask the Commission to review the NDC prior to doing so. However, due to delays in the passage of the Climate Change Response (Zero Carbon Amendment) Bill and the establishment of the Commission, this was not possible.

I will take the opportunity of the update to our NDC in 2020 to inform the UNFCCC that, following advice from the Commission, we may revise New Zealand's NDC. I would like the Commission to provide advice and recommendations both on whether the NDC should change to bring it in line with the global 1.5°C temperature goal and, if so, how.

NEXT STEPS

I would like to receive your advice on both of these requests alongside your advice on the first three emissions budgets.

Following consultation with you on these requests for advice under section 5K(2) of the Act, I have finalised the terms of reference for this work. The terms of reference are attached to this letter, and I expect you to make them publicly available in accordance with section 5K(3)(a) of the Act.

I am aware that the Commission already has a significant work programme ahead, particularly with the preparation of advice on the first three emissions budgets. We will continue to discuss how the Commission is able to deliver these requests alongside its existing work programme.

Yours sincerely,



Hon. James Shaw
Minister of Climate Change

Terms of Reference

The Minister for Climate Change requests under section 5K of the Climate Change Response Act 2002 (CCRA) that the Climate Change Commission (Commission) provide:

- 1) advice on the potential reductions in biogenic methane emissions which might eventually be required by New Zealand as part of a global effort under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels.

In providing this advice the Commission must:

- a. leave aside considerations on the current target range for biogenic methane specified in section 5(Q)(1)(b) of the CCRA;
- b. consider the available scientific evidence on the global biogenic methane emissions reductions likely to be required to limit global average temperature increase to 1.5° Celsius above pre-industrial levels;
- c. consider New Zealand's potential contribution to global efforts to limit biogenic methane emissions, reflecting its national circumstances; and
- d. consider a range of potential scenarios for economic, social and demographic changes which might occur in New Zealand and globally until 2100.

This advice is intended to provide greater certainty for planning purposes about the eventual reductions in biogenic methane emissions which might be required of New Zealand as part of global efforts to limit average temperature increased to 1.5° Celsius above pre-industrial levels. This advice does not require the Commission to review the biogenic methane target under sections 5S and 5T of the CCRA.

- 2) a report on New Zealand's first Nationally Determined Contribution (NDC), including:
 - a. advice on whether the NDC is compatible with contributing to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels; and
 - b. recommendations on any changes to the NDC required to ensure it is compatible with global efforts under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels.

Mode of work

The Commission must fulfil the requirements of section 5N of the CCRA, and is expected to engage with the public, iwi/hapū/Māori, industry, technical experts, special interest groups, sector lead groups and other interested parties.

The Commission will be able to draw upon a range of people from government agencies to inform specific elements of the work being undertaken.

Expected timeline

The Commission's advice on these matters in the form of a final report or reports, is to be provided to the Minister for Climate Change alongside the Commission's recommendations on the first three emissions budgets and advice on the first emissions reduction plan.

Publication

Under section 5L(2) of the CCRA, the Minister for Climate Change is required to table the Commission's final report with the House of Representatives. The Commission must make the document publicly available as soon as practicable after it is presented to the House of Representatives, but no later than 20 working days after providing it to the Minister (even if the document has not been presented to the House by that date).

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the Official Information Act 1982