



Cabinet

Minute of Decision

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Leading the Way: Establishing a Carbon Neutral Government Programme

Portfolios Economic and Regional Development / Climate Change

On 30 November 2020, following reference from the Cabinet Business Committee, Cabinet:

Carbon Neutral Government Programme

- 1 **noted** that the government needs to show leadership to reduce its own emissions in order to demonstrate what is possible to other sectors in the New Zealand economy;
- 2 **agreed** to establish the Carbon Neutral Government Programme (CNGP) that aims to make the government carbon neutral by 2025;
- 3 **noted** that there will be costs associated with broadening out this programme, including operating costs, which will be reported back to Cabinet in March 2021 by the Minister for Economic and Regional Development and/or the Minister of Climate Change;

Measure, report and verify

- 4 **agreed** to the proposed approach to staging CNGP reporting, starting with departments, departmental agencies and non-Public Service departments in the 2021/22 financial year;
- 5 **noted** that CNGP organisations are intended to individually report, so they are accountable to Parliament for their emissions and their progress on reductions;
- 6 **noted** that some exemptions or a different approach to individual reporting may need to be made for entities such as the 2,416 School Boards of Trustees;

Emissions reductions targets and plans

- 7 **agreed** to CNGP organisations setting credible gross emissions reduction targets and plans for 2025 and 2030;
- 8 **invited** the Minister of Climate Change and/or the Minister for Economic and Regional Development to report back to Cabinet in March 2021 on how the proposed CNGP organisations will measure emissions, manage and report on them, and to have set gross emissions reduction targets and credible reduction plans in place by December 2023;

Coal-fired boilers

- 9 **noted** that there are more than 200 coal-fired boilers used to heat water and buildings in the State sector, and replacing them with low-emissions alternatives will reduce emissions;
- 10 **agreed** to phase out the largest and most active coal boilers in the State sector by the end of 2025;

Transitioning the government fleet

- 11 **noted** that less than one percent of the government fleet is electric, even though there are suitable options and co-funding available from the State Sector Decarbonisation Fund;
- 12 **agreed** to require agencies mandated to apply the Procurement Rules to optimise their fleets, with the aim of reducing the number of vehicles;
- 13 **agreed** to require agencies mandated to apply the Procurement Rules to choose a battery electric vehicle, or a plug-in hybrid electric vehicle if a battery electric vehicle is not appropriate for the proposed use, when replacing vehicles, unless there are operational requirements or other circumstances that prevent them from doing so;
- 14 **invited** the Minister for Economic and Regional Development and/or the Minister of Climate Change to report back to Cabinet in March 2021 on implementing the requirement referred to in paragraph 13 above (including on an approval process for this requirement) while maintaining existing contractual arrangements with vehicle suppliers and ensuring it is least cost;
- 15 **noted** that the March 2021 report will include s 9(2)(f)(iv)

Energy efficiency ratings for government offices and reducing emissions from new government buildings

- 16 **noted** that an energy efficiency rating tool is being implemented from 1 January 2021:
- 16.1 the National Australasian Built Environment Rating System New Zealand (NABERSNZ) energy rating assessment will be required for all mandated property agencies who occupy at least 2000m² single tenanted, co-tenanted, or co-located government office accommodation;
- 16.2 the minimum standard for all mandated property agencies to achieve under the NABERSNZ energy rating assessment for agencies entering a new lease, or renewing an existing lease, will be a target rating of above five stars and a minimum rating of four stars;
- 16.3 mandated agencies planning a new build project will need to achieve a NABERSNZ energy rating assessment of five stars;
- 17 **noted** that strengthened government procurement directions for the construction of new government buildings direct:
- 17.1 agencies, mandated to apply the Government Procurement Rules, to prioritise low carbon designs, building materials (such as wood) and construction processes;

s 9(2)(f)(iv)

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Further work on future emissions

20 **noted** the need for further work by officials to investigate current constraints and barriers around measuring, reporting, reducing and offsetting for CNGP organisations;

Offsetting

21 **noted** that, in future, it is intended that CNGP organisations will offset their emissions by December 2025.

22 **invited** the Minister for Economic and Regional Development and/or the Minister of Climate Change to report back to Cabinet in June 2021 on how carbon neutrality could be achieved following further work by officials on opportunities, risks and constraints (including confirming the feasibility of CNGP organisations to offset);

23 s 9(2)(f)

Governance

24 **agreed** that an interim CNGP Ministerial group be established, chaired by the Minister for Economic and Regional Development, and including the Minister of Finance, the Minister of Energy and Resources, the Minister of Climate Change and the Minister for the Public Service;

25 **agreed** that a lead agency/agencies be appointed to coordinate the CNGP through to June 2021;

26 **invited** the Minister for Economic and Regional Development and/or the Minister of Climate Change to report back to Cabinet in March 2021 on detailed proposals for the ongoing coordination and governance arrangements to support the implementation of the CNGP;

Fiscal implications

27 s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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Michael Webster
Secretary of the Cabinet

Released under the Official Information Act 1982

In Confidence

Office of the Minister of Climate Change

Office of the Minister for Economic and Regional Development

Chair, Cabinet Business Committee

Leading the way: Establishing a Carbon Neutral Government Programme

Proposal

- 1 This paper seeks agreement to start the Carbon Neutral Government Programme (CNGP). It will be a long-term work programme for the Government that aims to make a number of government organisations carbon neutral by 2025, and takes initial steps, to help them accelerate their reduction journeys.

Relation to government priorities

- 2 This programme directly relates to the Government's priorities of 'accelerating the recovery and rebuild from the impacts of COVID-19' and 'laying the foundations for the future', including addressing key issues such as climate change response, housing and child poverty.

Executive Summary

- 3 The Government must show leadership to reduce its own emissions, in order to demonstrate what is possible to other sectors in the New Zealand economy.
- 4 We propose to establish the Carbon Neutral Government Programme (CNGP)¹. This will be a long-term work programme for CNGP organisations to:
 - measure, verify and report emissions annually
 - set gross emissions reductions targets and longer-term reduction plans for the next decade
 - introduce a phased work programme to reduce organisations' emissions, and
 - offset after gross emissions reductions are made to achieve carbon neutrality.

¹ See appendix 1 table for organisations included.

- 5 We know what some of our significant emissions sources are now and how to reduce them, so 'phase one' of the work programme will seek to minimise emissions from:
- Fossil fuel boilers for heating – we will phase out coal boilers, prioritising the largest and most active coal boilers by 2025, and continue to use the State Sector Decarbonisation (SSD) Fund to replace them with clean alternatives.
 - Petrol and diesel cars by:
 - 5.1. requiring mandated agencies² to optimise their fleets with the aim of reducing the number of vehicles in the government fleet.
 - 5.2. requiring mandated agencies to purchase battery electric vehicles (BEVs), or plug-in hybrid electric vehicles (PHEVs) if a BEV is not appropriate for the proposed use, unless their operational requirements or other circumstances require (following an approval process).
 - Office space – we are implementing an energy efficiency building rating standard over five years from January 2021 for all mandated property agencies³ who occupy single tenanted, co-tenanted or co-located government office accommodation over 2,000m².
- 6 We need to ensure there is direct financial incentive on agencies to reduce emissions. We intend that:
- CNGP organisations will individually report – so agencies and Ministers are accountable to Parliament for their emissions, and
 - CNGP organisations will offset their emissions from 2025.
- 7 The initiatives above will require further funding, work and analysis, in order to put the Government on track to reducing emissions and achieving carbon neutrality, in line with best practice. This includes the additional capital costs associated with investing in low-emissions technologies, the increased operating costs associated with monitoring and reporting on emissions, having a lead agency to coordinate, and offsetting.
- 8 The Ministerial group governing the CNGP will report back on an ongoing basis, with the first two reports backs:
- in March 2021 on:
 - 8.1. a proposed plan to operationalise the mandate to purchase electric vehicles and decrease fleet sizes

² See list in appendix 1.

- 8.2. how the proposed CNGP organisations will measure emissions, manage and report on them, set gross emissions reduction targets and have credible reduction plans in place by December 2023; and
 - 8.3. a range of more detailed recommendations for the coordination and governance of this work which have not been possible to include within this paper.
- in June 2021 – on how carbon neutrality for the CNGP organisations could be achieved by December 2025 – following further work by officials on the opportunities, risks and constraints around offsetting.

Background

9 Climate change is one of the greatest challenges of our time. Through the Paris Agreement and the Zero Carbon Act, New Zealand has committed to taking urgent action on greenhouse gas mitigation and climate change adaptation. The Government needs to take bold action and show leadership to reduce emissions in its own activities, in order to demonstrate what is possible to other sectors in the New Zealand economy and showcase positive action to the rest of the world.

Business leaders' response

- 10 Over 100 business leaders are signatories to the Climate Leaders Coalition's (CLC) commitments. This commits them to taking actions to keep warming below 2 degrees Celsius (and some are working towards 1.5 degrees Celsius), to measure and publicly report their emissions, adopt targets, assess their climate risk and actively work with their suppliers to reduce their emissions.
- 11 In September this year, business leaders in the CLC and the Sustainable Business Council (whose members account for 28% of NZ's private sector GDP) called on the government to address its emissions.³

Current initiatives already helping to reduce our emissions

- 12 The government has several initiatives underway that are contributing to emissions measurement and reductions including on electric vehicles, coal boilers, procurement and network support.
- 13 Government leadership in reducing its own emissions is one strand of the government's wider ongoing response to climate change. Further information on the Climate Action Plan, Emissions Reduction Plan and emissions budgets can be found in Appendix 4.

³ Specifically to re-introduce the Carbon Neutral Public Service Programme (which was originally planned in 2007). The programme would have enforced decarbonisation of State service assets and ministries and established a cross-government agency working group to develop a decarbonisation plan for the Public Service.

Analysis

CNGP Organisations will measure, report and verify their emissions annually

- 14 s 9(2)(g)(i)
- 15 CNGP organisations will need to individually report, so they are accountable to Parliament for their emissions and progress on reductions.
- 16 Measurement and reporting will be implemented in a phased manner, by CNGP⁴ organisations. The Public Service will report first, followed in stages by organisations in the State service and wider State sector.
- 17 We propose that reporting across the CNGP organisations is funded from baselines and is staged as follows:
- **By December 2022** – Departments, Departmental Agencies and Non-Public Service Departments to be **instructed** to report emissions and publish reduction plans from the 21/22 financial year
 - **By December 2023** – Crown Agents and School Boards of Trustees to be **directed** to report emissions and publish reduction plans from the 22/23 financial year. Note this could be introduced through a Whole of Government direction under section 107 of the Crown Entities Act 2004, which requires consultation with the affected entities. Some exemptions or a different approach to individual reporting may need to be made for entities such as the 2,416 School Boards of Trustees⁵
 - **By December 2023** – The Reserve Bank of New Zealand, Offices of Parliament, and tertiary institutions (including the New Zealand Institute of Skills and Technology (NZIST)) to be **encouraged** to report emissions and publish reduction plans from the 22/23 financial year.

18 s 9(2)(g)(i)

19 There are a range of potential options on how and where to report emissions profiles (including amending the Public Finance Act to require this) that officials will explore, to ensure CNGP organisations are reducing their emissions.

⁴ See list in appendix 1.
⁵ The Ministry of Education is currently focused on direct interventions that reduce emissions (i.e. replacement of coal boilers) in the State school property portfolio, and has work underway to understand and reduce the environmental impact of the State school property portfolio. The Ministry of Education will work together with other agencies involved to inform the report-back in March 2021 (on reporting requirements) on the recommended extent and nature of emissions reporting for the schooling sector, who should be responsible for that reporting and the resourcing required to measure and report on emissions at the school level.

- 20 We will report back in March 2021 on reporting requirements following further work from officials. This will include further work on accountabilities for reporting from individual agencies and the scope of reporting (see Appendix 2 for scope definitions e.g., inclusion of emissions from overseas activities and investments in physical assets).

Organisations developing emissions reduction targets and plans

- 21 Credible gross emissions reduction targets and plans (possibly using a methodology such as the Science Based Target Initiative (SBTi)) and reduction pathways to 2025 and 2030, in line with our commitments under the Paris Agreement and the Zero Carbon Act will be set.
- 22 Gross emissions reduction targets and reduction plans will be established by 2023. Plans will target organisations' key emissions sources, such as stationary heat, fleet, purchased electricity and air travel.
- 23 CNGP organisations are at different starting points and have different emissions profiles. A number of Public Sector organisations have already taken the initiative to measure, report and reduce their emissions⁶. These leading organisations can show others what is possible. Four examples of emissions profiles are provided in Appendix 3.

The initial work programme will minimise emissions from boilers, cars and office space

- 24 We already know what some of the significant emissions sources are in the State sector and how to reduce them.

We will phase out the largest and most active coal boilers by 2025

- 25 The use of coal in the State sector creates about nine per cent of its stationary energy emissions. There are more than 200 coal-fired boilers used to heat water and buildings in the State sector⁷ and we want to replace them with low-emissions alternatives.
- 26 We will start by phasing out the largest and most active coal boilers by the end of 2025. The phase out will be managed through the \$200 million State Sector Decarbonisation (SSD) Fund, which provides agencies with capital to co-fund the replacement of coal boilers with low-emissions alternatives. It is estimated that the \$72 million already committed to replacing coal boilers to date will reduce emissions by around 25,000 tonnes, equivalent to around two-thirds of State sector emissions from coal.

⁶ These include the Ministry for the Environment (MfE), New Zealand Trade and Enterprise, the Energy Efficiency and Conservation Authority (EECA), The Environmental Protection Authority (EPA) and at least 10 District Health Boards (DHBs), universities and councils.

⁷ Eligibility for the State Sector Decarbonisation Fund includes State sector organisations as per appendix 1 diagram, except for SOEs and MOM companies.

27 The SSD Fund prioritises cost-effective emission reduction opportunities across the State sector and is available for low-emission heating and cooling, low emissions vehicles, and energy efficient lighting. Given the high emissions intensity of coal-fired boilers, some of the remaining funding is likely to go towards switching out coal boilers to address the remaining State sector emissions from coal.⁸

We will transition the government fleet to low-emissions vehicles

28 There are nearly 16,000 vehicles in the government fleet of agencies mandated to apply the Procurement Rules. Less than one per cent (146) are electric despite there being operationally suitable options available for about half of the fleet, different models to choose from on the All-of-Government (AoG) Motor Vehicles contract⁹, and co-funding available from the SSD Fund.

29 We have made good progress with the Crown fleet but need to do more to show leadership. We can also boost the second-hand market for electric vehicles as government fleet vehicles are typically sold within five years.

30 We can start by requiring mandated agencies to optimise their fleets with the aim of reducing the number of vehicles. We expect that fleet size reductions of around 20 per cent or more will be possible in many cases, which will significantly reduce the capital cost of the transition.

31 Next, we can require that mandated agencies choose a low emissions alternative (e.g., BEV or PHEV if a BEV is not appropriate for the proposed use), when replacing vehicles unless there are operational requirements or other circumstances that prevent this. This recognises that low emissions alternatives will not be feasible in some cases. For example, NZ Police recently found that BEVs and PHEVs are not currently suitable to replace the patrol vehicles that make up 65 per cent of its fleet, but it is working to transition the rest of the fleet from 2021.

32 To ensure that agencies are not made to commit to cost-prohibitive or unsuitable vehicles, an approval process will be developed and continually reviewed in line with improvements in technology. There will also be transition planning so that we can both focus on fleets that are easier to transition, and prioritise funding to where it is needed most. § 9(2)(f)(iv)

§ 9(2)(f)(iv)
§ 9(2)(f)(iv)
§ 9(2)(f)(iv), and \$1 million has been allocated to date.

⁸ The Energy Efficiency and Conservation Authority (EECA) estimate that § 9(2)(f)(iv)

⁹ There are currently 19 battery electric vehicles (BEV) models on the AoG contract, and there will § 9(2)(i)

- 33 Further projects are expected in the coming months. Based on approved and pending projects under the SSD Fund, agencies have required around ^{s 9(2)(f)} [redacted] to enable the purchase of a BEV and a charger. We expect the funding support required will drop over time as the model range and prices improve. It is also important to note that agencies will benefit from the reduced running costs of BEVs.¹⁰
- 34 We propose to report back in March 2021 on implementing this requirement (including on the approval process) while maintaining existing contractual arrangements with vehicle suppliers and ensuring it is least cost. This will include advice on development of support measures to help agencies to optimise their fleets.

An energy efficiency rating standard is being applied to government offices and work underway on embodied carbon

- 35 We are implementing a tool from January 2021 to rate the energy efficiency of large government occupied offices. The tool is the National Australasian Built Environment Rating System New Zealand (NABERSNZ), which rates the carbon performance of buildings on a six-star scale
- 36 It will apply to mandated property agencies (refer appendix 1) who occupy single tenanted, co-tenanted or co-located government office accommodation over 2,000m². Non-mandated agencies will also be encouraged to follow these standards. There will be a requirement to achieve a minimum of four stars when establishing a new lease or renewing an existing lease, and a minimum of five stars for a new build project.
- 37 New Zealand Government Procurement and Property (NZGPP) is implementing the requirements and will continue to engage with agencies to minimise any administrative burden on them.
- 38 In March 2021, there will be a report-back on:
- more detailed cost estimates (after updating building footprint information from mandated agencies in early 2021), and
 - ^{s 9(2)(f)(iv)} [redacted]

¹⁰ In the private sector, these savings mean that the “whole-of-life cost” (total cost of ownership over the life of the asset) of a high mileage EV can be less than that of an internal combustion engine (ICE) vehicle. However, ICE vehicles purchased through the AoG Motor Vehicles contract have a relatively low whole-of-life cost because of the highly discounted price paid for them (relative to the private sector), so mandated agencies face a relatively high whole-of-life cost for EVs (at current AoG contract prices for EVs).

39 s 9(2)(f) (iv) [Redacted]

40 s 9(2)(f)(iv) [Redacted]

There is a need for further work and future programme development

41 Further initiatives will be added to the programme as we gain a better understanding of organisations' emissions profiles and where efforts should focus in future to continue to reduce emissions s 9(2)(f)(iv)

42 There will be a series of report-backs on emissions reduction initiatives by Ministers, with the first two in March and June 2021.

43 We need to ensure there are direct financial incentives on agencies to reduce emissions. Agencies already face the emissions price imposed by the New Zealand Emissions Trading Scheme. However, this alone will not provide sufficient incentive to accelerate progress by the CNGP organisations beyond that of the rest of the economy. In the future we therefore intend to require CNGP organisations to offset their remaining emissions from 2025.

Offsetting remaining emissions

44 We propose a goal of carbon neutrality¹¹ for the CNGP organisations by the end of 2025 s 9(2)(f)(iv) This will provide organisations with individual accountability and a financial incentive for reducing their emissions. s 9(2)(f)(iv)

45 Even with our best endeavours there may be a gap between our ambition and the level of emissions reduction achievable by 2025. s 9(2)(j)

There are also a number of technical barriers and uncertainties to claiming carbon neutrality using offsetting once the Paris Agreement period begins in 2021.

¹¹ Defined as resulting in no net release of carbon dioxide into the atmosphere.

- 46 Best practice guidance, including the Ministry for the Environment's own offsetting guidance, outlines the need to prioritise reducing emissions before offsetting. There is a risk if offsetting is undertaken prior to achieving meaningful emissions reductions that an organisation could be accused of trying to "buy its way" out of having to reduce its emissions.
- 47 Further work is needed to enable claims of carbon neutrality using offsets with environmental integrity. Voluntary offsets to achieve carbon neutrality must result in emissions reductions over and above those that would otherwise have occurred. There is no international consensus whether offsets used to support a claim of carbon neutrality could also count towards our Nationally Determined Contribution (NDC) for the Paris Agreement.
- 48 Under the Paris Agreement, the ambition of our national emissions reduction targets has increased. This ambition, combined with the increasing desire for organisations to make offsetting and carbon neutrality claims, could have the adverse outcome of making our NDC target harder to achieve if the pre-2021 framework for offsets (including additionality and avoiding double counting) is continued.
- 49 This is not a New Zealand specific issue. Other countries and non-governmental organisations are facing conflicts between competing priorities of voluntary offsetting unit supply, meeting NDCs and maintaining environmental integrity. Because of this, there is an on-going international discussion, to which officials are contributing, on the need for additionality to go beyond the ambition of a host country's target. s 9(2)(g)(i)
- 50 These considerations reinforce the need to focus on gross emissions reductions in the first instance
- 51 We will report back on offsetting feasibility, options and costs in June 2021 following further work from officials. However early thinking suggests we achieve this by:
- instructing or directing CNGP organisations including Departments, Departmental Agencies and Non-Public Service Departments and Crown Agents (with the exception on Kainga Ora and District Health Boards) to offset their emissions by December 2025
 - seeking agreement in principle to Kainga Ora, School Boards of Trustees and District Health Boards being directed and tertiary institutions (including NZIST) being encouraged to offset by December 2025 subject to further work and a report-back in June 2021 on when the offsetting obligation applies and the feasibility of their inclusion
 - encouraging The Reserve Bank of New Zealand and Offices of Parliament to offset their emissions by December 2025.

Governance

- 52 The Ministers responsible for the CNGP will be the Minister for Economic and Regional Development (chair), the Minister of Climate Change, the Minister of Finance, the Minister of Energy and Resources, and the Minister for the Public Service.
- 53 In the short-term, we propose that a programme lead is established for coordinating the CNGP and the existing Climate Change Chief Executives Board will coordinate and govern the implementation through to June 2021.
- 54 We propose to include more detailed recommendations for the coordination and governance of this work in the report-back to Cabinet in March 2021.

Financial Implications

- 55 The SSD Fund established in January 2020 as part of the Government's New Zealand Upgrade Programme currently has about \$120 million of capital remaining to be allocated. This can be used to co-fund investments in low-emissions technologies, such as heat pumps to replace coal boilers. s 9(2)
(f)(iv)

[Redacted content]

- 59 Table 1 summarises current estimated operating costs, which will need to be refined during the implementation of this work programme.

Table 1: Current estimated programme operating costs

	Operating costs	Notes
NABERSNZ (imposes modest costs and administrative requirements on property owners and / or tenants)	Ranges from \$6,000 to \$10,000 per rating	Requirements will apply to 67 State sector organisations

Measurement, reporting and verification costs	§ 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted]	To come out of baseline or underspend
Individual CNGP organisation offsetting cost	Yet to be determined. § 9(2)(b)(ii) [Redacted] [Redacted] [Redacted] [Redacted]	Cost estimates for the CNGP organisations will be included in the June 2021 report-back
Lead agency co-ordination, staff costs, operational research, funding administration	\$2.5m-2.8m per year	More detailed costings will be included in the March 21 report-back

60 As part of the report-back in March 2021, § 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

■ [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

62 At this stage, we are not proposing that we commit to an approach to emissions offsetting obligations for the CNGP organisations, and Cabinet will have an opportunity to decide its preferred approach in June 2021.

Legislative Implications

63 Legislation is not required to implement the proposals at this point although it may be proposed in agreed report-backs in 2021.

Te Tiriti o Waitangi Implications

64 To progress proposals in this paper, especially those related to governance on a broader climate change work programme, engaging with iwi/Māori will be essential due to their status as tangata whenua and the wide range of impacts that the transition will have on Māori communities, businesses and their relationship with the natural environment.

Impact Analysis

Regulatory Impact Statement

65 A Regulatory Impact Statement (RIS) is not required as there are no legislative or regulatory changes to be agreed by Cabinet from this paper.

Climate Implications of Policy Assessment

- 66 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply to this proposal as an objective of the proposal is to reduce greenhouse gas emissions. However, data on public sector emissions levels and projections is limited and because of this it is not possible to estimate the full impact of this proposal with any level of certainty.
- 67 Currently, annual State sector emissions are estimated to be:
- 49 kt CO₂-e from the vehicle fleet
 - 193 kt CO₂-e from electricity
 - 160 kt CO₂-e from gas
 - 44 kt CO₂-e from liquid fuels
 - 37 kt CO₂-e from coal-fired boilers
- 68 Through commitments already made under the SSD fund emissions from coal-fired boilers are expected to reduce by 25 kt CO₂ e per annum (leaving a remainder of 12 kt CO₂-e per annum). Annual emissions from each of these sources are expected to reduce over time under this proposal. It is uncertain how much this proposal will contribute to this reduction beyond the reduction in emissions likely to occur under existing measures.
- 69 Additional analysis of the emissions impact of this proposal will be carried out once more agencies have reported on their emissions. This data will be collated to better inform what the current and future (projected) emissions profile of the public sector is. This will also help to quantify what impact the measures advanced from this proposal may have on the public sector emissions profile in the long term.

Consultation

- 70 Consultation has been undertaken between: The Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Department of the Prime Minister and Cabinet, the Treasury, the Public Services Commission, the Energy Efficiency and Conservation Authority, New Zealand Government Procurement and Property, Department of Conservation, StatisticsNZ, and the Ministry of Transport.

Communications

- 71 Ministers may announce parts of the proposal in December 2020.

Proactive Release

- 72 Note that all Cabinet and Cabinet committee papers will be proactively released within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister of Climate Change and the Minister of Economic and Regional Development recommend that the Cabinet Business Committee:

- 1 **Note** that the Government needs to show leadership to reduce its own emissions in order to demonstrate what is possible to other sectors in the New Zealand economy;
- 2 **Agree** to establish the Carbon Neutral Government Programme (CNGP) that aims to make the Government carbon neutral by 2025;
- 3 **Note** that there will be costs associated with broadening out this programme, including operating costs, which will be reported back in March 2021 by the Minister for Economic and Regional Development and/or the Minister of Climate Change;

Measure, report and verify

- 4 **Agree** to the proposed approach to staging CNGP reporting, starting with Departments, Departmental Agencies and Non-Public Service Departments in the 21/22 financial year;
- 5 **Note** that we intend CNGP organisations to individually report, so they are accountable to Parliament for their emissions and their progress on reductions;
- 6 **Note** that some exemptions or a different approach to individual reporting may need to be made for entities such as the 2,416 School Boards of Trustees;

Emissions reductions targets and plans

- 7 **Agree** to CNGP organisations setting credible gross emissions reduction targets and plans for 2025 and 2030;
- 8 **Agree** to a report-back in March 2021 by the Minister of Climate Change and/or the Minister for Economic and Regional Development on how the proposed CNGP organisations will measure emissions, manage and report on them and have set gross emissions reduction targets and credible reduction plans in place by December 2023;

Coal-fired boilers

- 9 **Note** that there are more than 200 coal-fired boilers used to heat water and buildings in the State sector, and replacing them with low-emissions alternatives will reduce emissions;
- 10 **Agree** to phase out the largest and most active coal boilers in the State sector by the end of 2025;

Transitioning the government fleet

- 11 **Note** that less than one per cent of the government fleet is electric even though there are suitable options, and co-funding available from the State Sector Decarbonisation Fund;
- 12 **Agree** to require agencies mandated to apply the Procurement Rules to optimise their fleets with the aim of reducing the number of vehicles;
- 13 **Agree** to require agencies mandated to apply the Procurement Rules to choose a battery electric vehicle, or a plug-in hybrid electric vehicle if a battery electric vehicle is not appropriate for the proposed use, when replacing vehicles, unless there are operational requirements or other circumstances that prevent them from doing so;
- 14 **Agree** that the Minister of Economic and Regional Development and/or the Minister of Climate Change will report back in March 2021 on implementing this requirement (including on an approval process for the requirement set out in recommendation 13) while maintaining existing contractual arrangements with vehicle suppliers and ensuring it is least cost;
- 15 **Note** that the March 2021 report back will include s 9(2)(f)(iv)

Energy efficiency ratings for government offices and reducing emissions from new government buildings

- 16 **Note** that an energy efficiency rating tool is being implemented from 1 January 2021:
- the NABERSNZ energy rating assessment will be required for all mandated property agencies who occupy at least 2000m² single tenanted, co-tenanted, or co-located government office accommodation;
 - the minimum standard for all mandated property agencies to achieve under the NABERSNZ energy rating assessment for agencies entering a new lease, or renewing an existing lease, will be a target rating of above five stars and a minimum rating of four stars, and
 - mandated agencies planning a new build project will need to achieve a NABERSNZ energy rating assessment of five stars;
- 17 **Note** that strengthened government procurement directions for the construction of new government buildings direct:
- Agencies, mandated to apply the Government Procurement Rules, to prioritise low carbon designs, building materials (such as wood) and construction processes;

- s 9(2)(f)(iv) [Redacted]

18 s 9(2)(f)(iv) [Redacted]

[Redacted]

Further work on future emissions

20 **Note** the need for further work by officials to investigate current constraints and barriers around measuring, reporting, reducing and offsetting for CNGP organisations;

Offsetting

21 **Note** that in future we intend CNGP organisations will offset their emissions by December 2025;

22 **Agree** to a report-back in June 2021 by the Minister of Economic and Regional Development and/or the Minister of Climate Change on how carbon neutrality could be achieved following further work by officials on opportunities, risks and constraints. This will include confirming the feasibility of CNGP organisations to offset;

23 s 9(2)(j) [Redacted]

Governance

24 **Agree** that an interim CNGP Ministerial group will be established and chaired by the Minister for Economic and Regional Development. It will include the Minister of Finance, the Minister of Energy and Resources, the Minister of Climate Change and the Minister for the Public Service;

25 **Agree** a lead agency/agencies will be appointed to coordinate the CNGP through to June 2021;

26 **Agree** that the Minister of Economic and Regional Development and/or the Minister of Climate Change will report back in March 2021 on detailed proposals for the ongoing coordination and governance arrangements to support the implementation of the CNGP;

Appendices

Appendix 1 – Organisations included in the CNGP

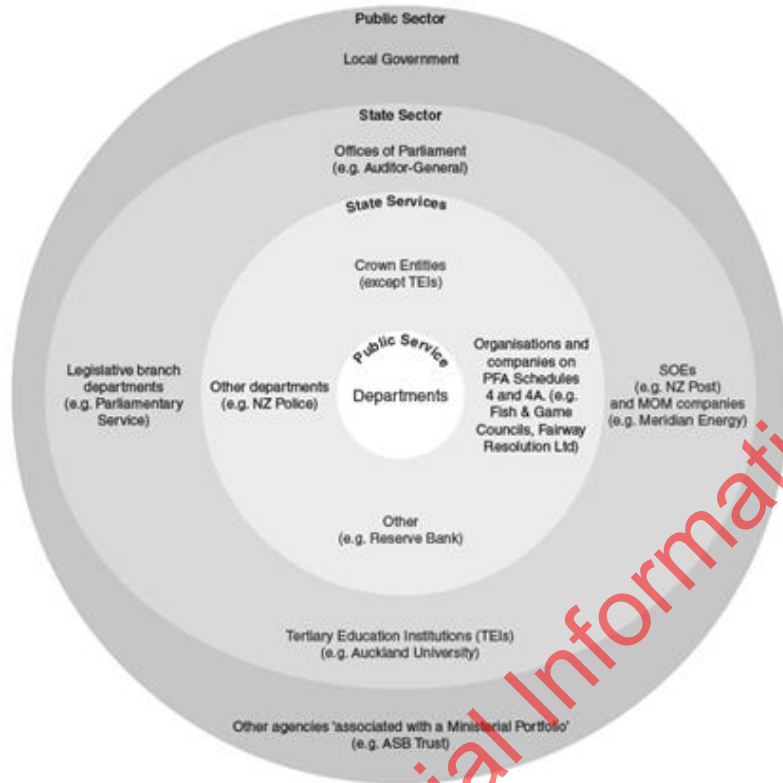
- 1 The list below sets out which milestones (set out in the Cabinet Paper) apply to which organisations within the Public Sector.
- 2 Note that the requirement to offset emissions would apply to all the organisations in this table subject to a report-back on the feasibility of their inclusion.
- 3 Note also the inclusion in principle of Kainga Ora, and School Boards of Trustees, District Health Boards and tertiary providers, subject to further work and a report back on when the offsetting obligation applies and the feasibility of their inclusion.

		Measure, verify and report emissions	Phase out coal boilers	Purchase EVs and reduce fleet size	NABERSNZ rating requirement for large buildings
Public Service	Departments	instructed	X	X	X
	Departmental Agencies	instructed	X	X	X
Non-Public Service departments	In the Executive Branch				
	New Zealand Defence Force	instructed	X	X	X
	New Zealand Police	instructed	X	X	X
	Parliamentary Counsel Office	instructed	X	X	X
	In the Legislative Branch				
	Office of the Clerk of the House of Representatives	instructed			
	Parliamentary Service	instructed			
Crown entities	Statutory entities				
	<i>Crown Agents</i>				
	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

IN CONFIDENCE

	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 Transport Agency	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
	Tertiary Education Commission	directed	X	X	X
	WorkSafe New Zealand	directed	X	X	X
	<i>Crown Entity Subsidiaries of NZIST (16)</i>	encouraged			
	School Boards of Trustees (2416)	directed			
	Tertiary Institutions				
	Universities (8)	encouraged			
	New Zealand Institute of Skills and Technology (NZIST)	encouraged			
	Wananga (3)	encouraged			
	Reserve Bank of New Zealand	encouraged			voluntary
	Offices of Parliament	encouraged			

- 4 The diagram below sets out how the different groups of organisations within the Public Sector are named.



Reference: <https://www.publicservice.govt.nz/resources/what-is-the-public-Service/>

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Appendix 2 – Definitions of scopes for emissions measuring and reporting

1 The table below sets out examples of what falls into each scope for an organisation’s measuring and reporting of emissions

Scope	Direct/indirect emissions	Source category
Scope 1	Direct GHG emissions and removals	Fuel (eg, fuel used for boilers or generators) Refrigerant use Fleet vehicles
Scope 2	Indirect GHG emissions from imported energy	Purchased energy (eg electricity)
Scope 3	Indirect GHG emissions from transportation	Staff/business travel (eg, by air, rail, sea reimbursed staff mileage, taxis, rental) Freight transport Refrigerant use (from chilled transport or air conditioning)
	Indirect GHG emissions from products an organisation uses	Materials and waste Transmission and distribution losses Water supply and wastewater treatment

Reference: Meeting our commitments: Emissions measurement, reduction and reporting, February 2020

Appendix 3 – example emissions profiles of four Government organisations

1 The examples below show the emissions profile of four government organisations. They show gross emissions reduction opportunities and the targets and timeframes that have been set. Note there will be aspects for which offsetting will remain necessary for some time, such as flights and procurement, demonstrating why offsetting would be necessary to achieve a carbon neutral goal.

New Zealand Trade and Enterprise (NZTE)

2 NZTE has around 600 employees and 180 private service advisors around the world. To reduce its emissions, NZTE has developed a GHG emissions management plan and reduction targets, including: promoting more efficient travel and alternative means of transport where available, investigating solutions to aid virtual collaboration, reducing energy use by promoting behavioural change and reducing waste through sharing educational materials.

3 NZTE has pledged to cut its carbon emissions per employee (full-time equivalent) by 46.2% by 2030, from a 2018/19 baseline year.

4 s 9(2)(b)(ii)

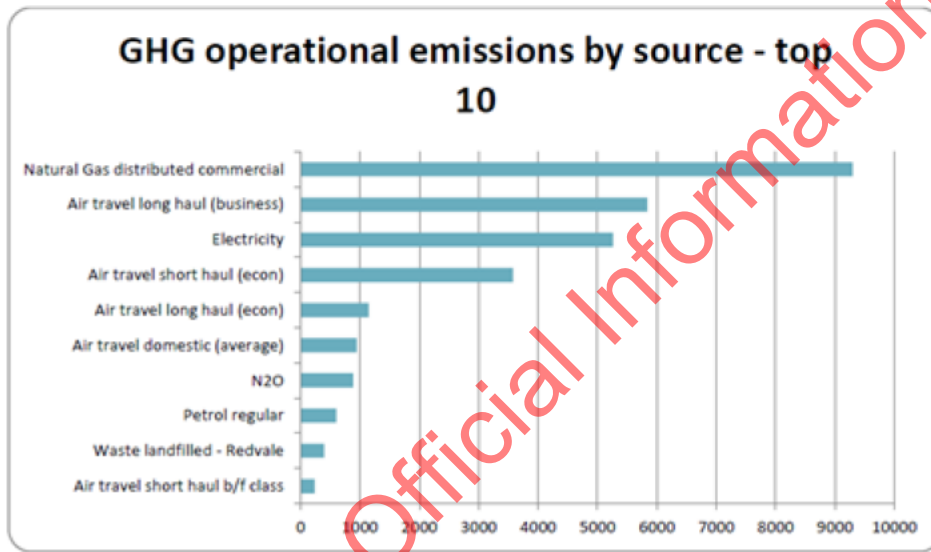


Auckland District Health Board (Including Auckland City Hospital, Greenlane Clinical Centre and community sites)

5 Auckland District Health Board (ADHB) employs more than 11,000 people.

- 6 To reduce its emissions, ADHB has developed a GHG emissions management plan and reduction targets. This plan includes investigating EVs, incorporating energy efficient design into new capital projects, retrofitting and replacing of existing plant and equipment with energy efficient items, monitoring and increasing web and audio conferencing to reduce air travel requirements.
- 7 ADHB have cut their emissions 28% since 2005. They have a goal to reduce their energy use by 50% and produce 50% of their energy needs through on-site renewable energy by 2030.

8 s 9(2)(b)(ii)



Massey University

- 9 Massey University has nearly 18,000 enrolled students across three main campuses in addition to the 17,000 national and worldwide distance learning (extramural) students. It measures and verifies its emissions over the Auckland Campus, Manawatu Campus, Wellington Campus, Ag and Hort units, Ancillary Sites, and Subsidiaries with operational control.
- 10 Massey University is committed to being net zero carbon by 2030 for their energy, building, transport and waste emissions. Biological emissions associated with their farms will decrease in line with the Climate Change Response (Zero Carbon) Amendment Bill.

11 In order to meet that goal the university is pursuing a range of initiatives over the next ten years outlined in their draft Climate Action Plan. Reduction initiatives include: Reviewing transition to electric vehicles, reviewing air travel, identifying boilers close to end of life and investigating replacement with electric systems, implementing a waste management strategy, developing a 'Net Zero Carbon Buildings Pathway to 2050' to inform and support a long term capital planning process and building design teams, and developing a Low Carbon and Sustainable Built Environment Design Policy.

12 s 9(2)(b)(ii)

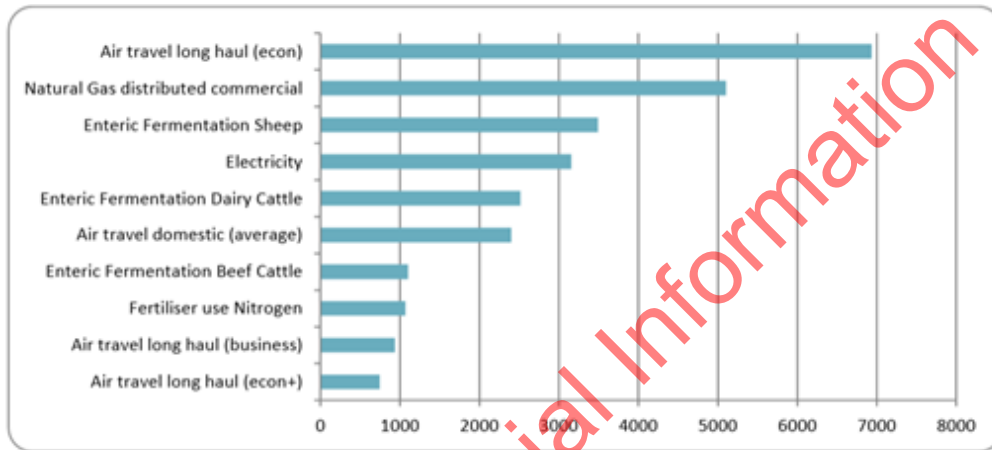


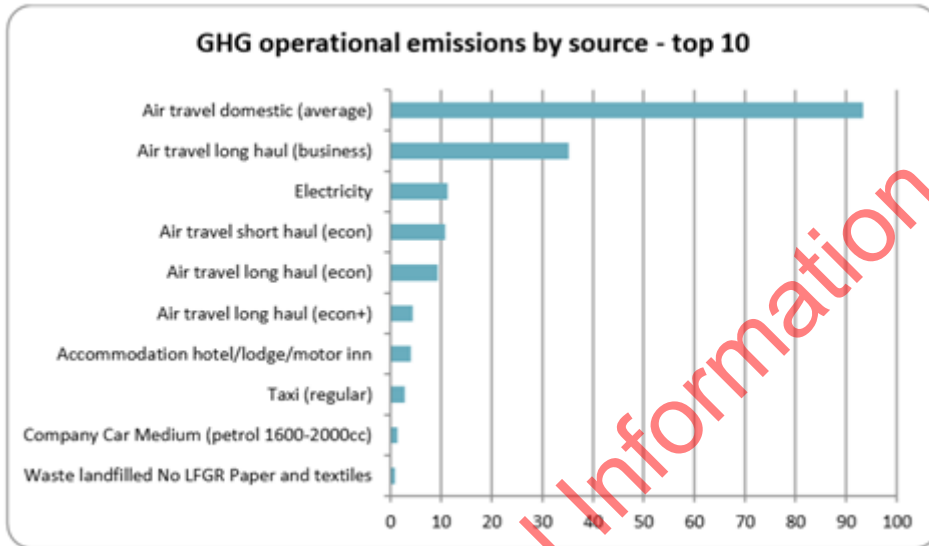
Figure 1: GHG emissions by emissions source (top 10)

The Energy Efficiency and Conservation Authority (EECA)

- 13 EECA employs over 80 FTE across offices in Wellington, Auckland and Christchurch.
- 14 EECA have developed a GHG emissions management plan and reduction targets. As a signatory of the Climate Leaders Coalition, EECA has committed to a Science Based Emission Reduction Target consistent with keeping warming to within 1.5 degrees by 2030. EECA has committed to a 55% absolute reduction in scope 1, 2 and 3 emissions.
- 15 Initiatives to reduce emissions include: Reviewing their air travel policy and increasing air travel awareness across employees, investigating and implementing measures to improve teleconferencing, and continuing efforts to choose and influence uptake of low emissions vehicles for staff business travel.
- 16 This is the 13th year of reporting for EECA under the Toitū Carbonzero programme and the 2nd year since resetting their base year to 2018-19. An absolute reduction in Scope 1 and 2 emissions of 5.31 tCO2e has been achieved against base year.

17 As EECA has focussed on reducing their emissions over a long time period and have achieved significant reductions they have recently offset their remaining emissions through the Toitū carbonzero programme.

18 s 9(2)(b)(ii)



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Appendix 4 - Governance arrangements and relationship to the Emissions Reduction Plan

The wider response on climate action includes:

The Climate Action Plan

- 1 In June 2019, the Government agreed to, or agreed to investigate, 76 of the 77 recommendations that the Productivity Commission made in its report on a low emissions economy [CAB-19-MIN-0296]. The whole-of-government response became New Zealand's first Climate Action Plan.
- 2 One of the commitments was to investigate a recommendation to lead in decarbonising State service emissions through phasing out coal fired boilers in State owned assets and transitioning the Government fleet to be electric.
- 3 The Climate Change Chief Executives Board (the Board) monitors and reports progress against the Climate Action Plan to the Minister of Climate Change. The Minister for State Services agreed that this Board has primary accountability for delivery of the Climate Action Plan work programme. On 12 August 2019, the State Services Commissioner wrote to the Chair of the Board and stated an expectation that the Board lead the work programme on behalf of the public service.

Emissions budgets and emission reduction plans

- 4 There will be significant further policy decisions in a range of portfolios about emissions reduction, including statutory decisions to be taken in 2021 about New Zealand's first emissions budgets and emissions reduction plan
- 5 The 2019 amendments to the Climate Change Response Act established a statutory and institutional framework for ambitious and coordinated progress on domestic climate change mitigation.
- 6 The Act requires the government to set a series of five-year emissions budgets consistent with meeting an emission-reduction target for 2050, and to publish a plan to meet them. The independent Climate Change Commission will provide detailed recommendations for emissions budgets, and high-level advice on the direction of policy for the emission reduction plan. The government will need to respond to the Commission's advice, make decisions about emissions budgets and plans, and give reasons for any departures from the Commission's recommended emissions budgets.
- 7 The first decisions under this framework are due in 2021 – to set three emissions budgets covering the period 2022-2035, and an emission reduction plan for at least the period 2022-2025 (and looking ahead to future periods). For the first round of decisions, the timeframes are very tight. The Commission will provide its recommendations by 31 May, and the emissions budgets and emissions reduction plan must be in place by 31 December.

- 8 Decisions about emissions budgets and emissions reduction plans will span a range of sector and portfolio areas. They will require coordination and complex trade-offs across the economy.
- 9 In March 2020 the Climate Change Chief Executives Board endorsed a cross-agency programme to prepare for these decisions. This work programme builds on work to deliver the Climate Action Plan.

Adaptation

- 10 s 9(2)(f)(iv) [redacted] The National Adaptation Plan will respond to the National Climate Change Risk Assessment published mid-2019.

Funding and financing the transition

- 11 s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted] The Minister of Climate Change has made climate finance a high priority and is working with Treasury and MfE on this and related matters.
- 12 Adequate scale and certainty of funding and finance will be critical to realise our collective commitment to a low-emissions, climate-resilient economy. Decisions will be needed soon on a fiscal management approach.
- 13 Current funding arrangements for climate action sit across a range of portfolios. A coherent cross-Ministerial approach and strategy will be key over the next few years.

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