



PROACTIVE RELEASE COVERSHEET

Minister	Hon Shaw	Portfolio	Climate Change
Title of Cabinet paper	Scope, approach, timeframes and accountability for delivering the second emissions reduction plan in 2024	Date to be published	6 September 2023

List of documents that have been proactively released

Date	Title	Author
28 August 2023	Scope, approach, timeframes and accountability for delivering the second emissions reduction plan in 2024	Office of the Minister of Climate Change

Information redacted **YES**

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Summary of reasons for redaction

Some information has been withheld for the reasons of confidential advice to Government and legal professional privilege.

In Confidence

Office of the Minister of Climate Change

Cabinet Economic Development Committee

Scope, approach, timeframes and accountability for delivering the second emissions reduction plan in 2024

Proposal

- 1 The Climate Change Response Act 2002 (the Act) requires the Minister of Climate Change to publish the second emissions reduction plan by 31 December 2024.
- 2 This paper seeks to confirm the approach, accountabilities, and timeframes for developing the second emissions reduction plan.

Relation to government priorities

- 3 The Government declared a Climate Emergency in December 2020, following the findings of the Intergovernmental Panel on Climate Change (IPCC). To avoid a rise in global warming of more than 1.5°C, global emissions must fall by around 45 per cent from 2010 levels by 2030 (reaching net zero by 2050).
- 4 Enabling a just transition to a low-emissions, climate resilient future is also a Government priority. This was emphasised by Cabinet Business Committee when they noted the intention to “put the climate at the centre of government decision-making” and agreed that “climate change requires decisive action by all levels of government, the private sector, and communities” [CBC-20-MIN-0097 refers].
- 5 The second emissions reduction plan will also contribute to the Labour and Green Parties’ agreement to achieve the purpose and goals of the Climate Change Response (Zero Carbon) Amendment Act 2019.

Executive Summary

- 6 The second emissions reduction plan must be published by the end of 2024.
- 7 Over the next 16 months, Ministers will need to make a range of critical decisions to develop a plan that will deliver the abatement needed to meet the second emissions budget and put Aotearoa New Zealand on track to meet its 2050 target. It is imperative, given the scale and complexity of these decisions, that Ministers direct officials to start this work now.
- 8 The approach taken to the development of the second emissions reduction plan needs to be more deliberate in considering the reach and scale of the climate crisis. This approach will involve:

- 8.1 Developing emissions reduction plans in a way that is consistent with meeting Aotearoa New Zealand's 2050 target.
 - 8.2 Taking a systems approach to policy development that acknowledges cross-sector dependencies, rather than a purely sector-based approach.
 - 8.3 Giving effect to the principles of Te Tiriti o Waitangi.
 - 8.4 Coordinating engagement across government.
 - 8.5 Building the funding and financing approach.
- 9 The work outlined in this Cabinet paper will be prioritised and sequenced through 2023 and 2024. Officials will initially work on the indicative pathways and potential high-level actions in 2023, to be further refined after initial Ministerial direction in December 2023.
- 10 I propose that Cabinet agree to responsibilities for the development of content for inclusion in the second emissions reduction plan. Agreeing responsibility now will ensure that there is Ministerial direction for work being progressed.
- 11 This paper also indicates milestones for Cabinet decisions on the second emissions reduction plan through 2024.

Background

Parliament unanimously passed the Climate Change Response (Zero Carbon) Amendment Act in 2019

- 12 In November 2019, Parliament unanimously passed the Climate Change Response (Zero Carbon) Amendment Act and introduced the Zero Carbon framework.
- 13 This framework provides for clear and stable climate change policies that contribute to the Paris Agreement's 1.5°C temperature goal and allow New Zealand to prepare for, and adapt to, the effects of climate change. It did this by establishing:
- 13.1 the Climate Change Commission (Commission) to provide independent expert advice on climate change matters and monitor progress towards the government's mitigation and adaptation goals;
 - 13.2 a domestic emissions reduction target (2050 target);
 - 13.3 a system of emissions budgets that step towards the 2050 target;
 - 13.4 a requirement for emissions reduction plans that set out policies and strategies for achieving emissions budgets;

- 13.5 adaptation measures, including regular national climate change risk assessments and national adaptation plans that respond to the risks identified.

Aotearoa New Zealand is actively implementing the Zero Carbon framework

- 14 Last year, the Government achieved several milestones in the implementation of the Zero Carbon framework:
- 14.1 Aotearoa New Zealand's first three emissions budgets were gazetted in May 2022, setting a limit on the level of greenhouse gas emissions that will be permitted from 2022-25, 2026-30 and 2031-35.
- 14.2 The first emissions reduction plan was published in May 2022. This contained over three hundred actions to reduce emissions and increase removals across the economy. As a result of this plan, we are beginning to see positive changes across key emitting sectors that will result in long-term emissions reductions.
- 14.3 The first national adaptation plan was published in August 2022. This contained 126 actions to improve resilience to the impacts of climate change.
- 15 Officials are currently focused on the implementation of the first emissions reduction and national adaptation plans.

Delivery of the second emissions reduction plan is a key focus through to the end of 2024

- 16 The Act requires the Government to publish the second emissions reduction plan by 31 December 2024. This plan must include the actions required to meet the second emissions budget (2026-2030).
- 17 The Commission is currently developing its final advice on the direction of policy for the second emissions reduction plan. This advice must be delivered by 31 December 2023. This advice must be considered in preparing the second emissions reduction plan and supporting policies.

The actions we take domestically will also contribute to our international commitments

- 18 The Paris Agreement requires each country to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs). Aotearoa New Zealand's first NDC (NDC1) commits to reducing net emissions by 50 per cent below gross 2005 levels by 2030. This can be met through a combination of domestic action and offshore mitigation.
- 19 NDC1 is significantly more ambitious than our domestic emissions budgets for the same period (2021-2030). Achieving NDC1 is currently estimated to require an additional reduction of 97 Mt CO₂-e over and above the achievement of our first two domestic emissions budgets. This is the equivalent of around 15 months of total gross emissions at current levels.

- 20 To achieve NDC1 and remain consistent with a 1.5°C pathway, Aotearoa New Zealand will need to increase its domestic pace of decarbonisation and/or supplement with offshore mitigation.
- 21 On 3 July 2023 Cabinet agreed that the development of the second emissions reduction plan should include a process to identify, develop and assess significant new proposals that could support over-achievement of the second emissions budget, noting that any over-achievement would help to further close the gap with NDC1 [CAB-23-MIN-0283].

Analysis

Emissions reduction plans are necessary to achieve Aotearoa New Zealand's 2050 target

- 22 The 2050 target requires all greenhouse gas emissions other than biogenic methane to reach net zero by 2050. It also requires a 24 to 47 per cent reduction in biogenic methane emissions by 2050 (compared to 2017 levels), including 10 per cent reduction by 2030.
- 23 Emissions reduction plans are the vehicle for cross-government policy development to meet emissions budgets, which are steps towards meeting the 2050 target.
- 24 Given the scale of work needed across government to deliver the second emissions reduction plan, I invite Cabinet to agree the approach that will be taken between now and 31 December 2024. I also invite agreement to Ministerial and agency accountabilities for content that will be included in the plan.
- 25 Agreeing to these matters now will ensure that work can be appropriately sequenced alongside implementation of the first emissions reduction plan.

Legislative requirements define the scope of emissions reduction plans

- 26 The Act sets out clear requirements that must be met by the Minister of Climate Change in making decisions relating to an emissions reduction plan. I have appended a summarised version of the legislative requirements to inform the decisions within this Cabinet paper (Appendix 1).

Approach

The second emissions reduction plan must achieve our emissions budgets without losing sight of 2050

- 27 The Act requires the second emissions reduction plan to set out the policies and strategies for meeting the second emissions budget (2026-2030), it may also look out to the third budget. The plan must also keep us on track to achieve the 2050 target.
- 28 The Commission released its draft advice on policy direction for the second emissions reduction plan for public consultation in May 2023. This draft advice

suggests that the Government should be clearer about Aotearoa New Zealand's pathway to 2050.

- 29 The Commission's draft advice indicated that its final recommendations may challenge the Government to outline how much Aotearoa New Zealand will need to reduce its gross emissions. s 9(2)(f)(iv)


[REDACTED]

- 30 To respond to the Commission's final advice, preparatory work is necessary. I propose that officials identify and quantify different pathways to meet our 2050 target and subsequently maintain net-zero long-lived greenhouse gases. These pathways will likely represent how effort across different sectors and systems might need to shift and change over time as abatement opportunities become more viable.

A stronger systems view will result in a more strategic and coherent plan

- 31 The scale of action needed to meet our domestic and international climate obligations will require significant change across society and the economy.
- 32 Taking a purely sector-based approach to climate policy design risks overlooking cross-sector dependencies that are critical to the transition and the broader outcomes we need to achieve.
- 33 International climate policy evidence shows that considering the changes needed at 'system' level can bring more coherence. Policies in the first emissions reduction plan started to identify cross-sector dependencies. There is an opportunity to build on this work.
- 34 I recommend that the second emissions reduction plan take a systems approach. This will require policy development to be integrated across multiple Ministerial portfolios.
- 35 For example, climate policies in the transport sector have interdependencies with planning, infrastructure, building, waste, and energy sector policies, as well as social norms and behaviours. Considering these elements together [REDACTED] will ensure a comprehensive mix of [REDACTED] policies can work together and can strengthen emissions abatement outcomes. s 9(2)
- 36 I propose that initial policy work be based around the five systems set out in Figure 1.
- 37 These systems are likely to evolve as officials' work progresses.

s 9(2)(f)(iv)



- 38 The policies developed within and across systems will contribute to key legislated requirements of the emissions reduction plan:
- 38.1 sector-specific policies to reduce emissions and increase removals;
 - 38.2 a multi-sector strategy to meet emissions budgets and improve the ability of sectors to adapt to the effects of climate change, and;
 - 38.3 a strategy to mitigate the impacts that policies will have on employees and employers, regions, iwi and Māori, and wider communities.¹

¹ On 4 November 2021 Aotearoa New Zealand signed the COP26 agreement Supporting the Conditions for a Just Transition Internationally. This international commitment provides further mandate for the Just Transitions work within emissions reduction plans.

- 39 Systems will not replace the need for policy solutions within each sector. They will support the development of this sector-focused policy in a mutually cohesive way with related policy topics.
- 40 While Figure 1 captures the key sectoral and cross-cutting inputs to each system, it does not capture every individual topic or policy area that will need to be part of the second emissions reduction plan. For example, there will be a need to consider the role of local government within each system.
- 41 There may also be a need for policy to be developed across multiple sectors. s 9(2)(f)(iv) [REDACTED] These links across systems will further strengthen the second emissions reduction plan as a cohesive and coherent package.
- 42 I would like to be clear that these systems are a way of encouraging cross-portfolio advice to Ministers and are not intended to dictate the final structure of the second emissions reduction plan. Systems will be supported by additional work, including the identification of co-benefits.

Giving effect to the principles of Te Tiriti will require additional focus

- 43 The Government must uphold its responsibility to give effect to the principles of Te Tiriti o Waitangi in the development of the second emissions reduction plan.²
- 44 As work on the second emissions reduction plan gets underway, Cabinet has an opportunity to set clear expectations for Māori engagement, as well as how Māori rights and interests will be considered in the policy development process.
- 45 Establishing these expectations now will enhance Ministerial visibility of decisions and engagement. It will also foster a coordinated approach at both Ministerial and agency level to give effect to the principles of Te Tiriti o Waitangi.
- 46 The Minister of Climate Change is required to ensure Māori have been adequately consulted in the development of emissions reduction plans. To enable this assessment, I propose that each agency shares its plan for engagement with Treaty partners and broader groups representative of Māori rights and interests (and the outcomes of that engagement) with the Ministry for the Environment.
- 47 Cabinet must ensure that policies for inclusion in the second emissions reduction plan reflects and responds to Māori rights, interests, and perspectives. To achieve this, I propose that Cabinet receive the following advice to inform decision-making relating to the plan:

² As set out in the Act at section 3A(ad), with respect to sections 5ZG and 5ZI (which require the Minister of Climate Change to prepare and publish an emissions reduction plan), the Minister must include in an emissions reduction plan a strategy to recognise and mitigate the impacts on iwi and Māori of reducing emissions and must ensure that iwi and Māori have been adequately consulted on the plan. Obligations also arise from te Tiriti o Waitangi settlements.

- 47.1 s 9(2)(f)(iv)
officials will provide a report outlining the insights and feedback received from iwi/hapū and Māori. This report may also include information on how insights and feedback will be reflected in final policy proposals.
- 47.2 Prior to decisions on final policy for inclusion in the second emissions reduction plan, Cabinet will receive advice providing an overview of impacts for Māori, based on available data.
- 48 In addition to the engagement process, I propose that officials establish a reference group of Māori representatives to inform on-going decisions about key policies in relation to work on the pathways and decisions to 2050.
- 49 This reference group will support the development and implementation of emissions reduction policies out to 2050 and complement direct engagement. I propose that membership for this group be agreed by the Minister of Climate Change, with support from the Minister for Māori-Crown Relations: Te Arawhiti.
- 50 Further, officials will continue to explore the integration of an indigenous framework such as Rauora into the Crown-facing work to inform pathways to 2050. Cabinet has previously agreed that other indigenous frameworks should be considered along with He Ara Waiora when making national strategies and climate policy [MCR-22-MIN-007].

A more collaborative engagement approach

- 51 There will need to be significant Government engagement with key stakeholders and the general public across current policies and future ideas.
- 52 Coordination will further enable the systems approach to development of the second emissions reduction plan. It will lead to less duplication of engagement on similar topics, saving time and resources both within government and for stakeholders.
- 53 For example, the Energy Strategy is currently out for consultation, and it will be important to understand how this impacts work across the second emissions reduction plan.
- 54 I propose we are more considered and coordinated in our engagement. A more coordinated approach requires oversight. I therefore seek agreement that the Ministry for the Environment oversee coordinated engagement on the second emissions reduction plan and its components across government.
- 55 Where consultation and engagement on policy proposals relating to the second emissions reduction plan has been undertaken, I propose that the outcomes of that engagement are shared with the Ministry for the Environment. This information will help the Minister of Climate Change assess whether consultation on the second emissions reduction plan has been adequate.

The success of the second emissions reduction plan will rely on effective funding and financing approaches

56 The extent of funding required for the continued implementation of the first emissions reduction plan and for development and implementation of the second plan will depend significantly on the overall strategy pursued.

57 Fiscal constraints and increasing costs (including pressure on the Climate Emergency Response Fund (CERF)) mean there will be several aspects to consider about how climate investment is enabled/mobilised in the longer term, including:

57.1 the appropriate role for government;

57.2 the range of levers available to the government, other than public investment;

57.3 the potential role of private sector finance, and;

57.4 consideration of non-financial levers that will encourage behavioural shifts.

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

59 The Treasury and the Ministry for the Environment will also comment on any significant fiscal implications associated with options for strategic direction for the second emissions reduction plan s 9(2)(f)(iv) [Redacted]

60 As the second emissions reduction plan is developed throughout 2024, officials will prepare more detailed advice on the scale of public investment required to deliver the plan and how best to fund that investment. s 9(2)(f)(iv) [Redacted]

61 There will also be a role for the second emissions reduction plan to include clear signals to attract inward investment.³ The Ministry of Foreign Affairs and Trade will be involved in ensuring these signals are represented in the plan.

³ Inward investment is a term used to describe where an entity not in the region (another country or business based in another country) invests in or purchases goods. The Ministry of Foreign Affairs and Trade sees a role in attracting inward investment but needs clear signals in the second emissions reduction plan of where inward investment could be useful for this.

Confirming Ministerial and agency responsibilities now will provide certainty

Delivering the second emissions reduction plan will require effort across over fifteen Ministerial portfolios

- 62 The Minister of Climate Change has a legal duty to set emissions budgets and ensure they are met, as well as a responsibility to prepare and publish emissions reduction plans. However, its success relies on work being progressed across over fifteen Ministerial portfolios and most government agencies.
- 63 It is imperative that work across government meets this challenge. The development of policy for inclusion in the second emissions reduction plan must be progressed at pace, and agencies must continue to prioritise this work.

Taking a stronger systems approach will change the way that Ministers and agencies work together

- 64 The systems approach will require Ministers (and their supporting agencies) to work more closely, particularly during the policy development phase of the second emissions reduction plan.
- 65 For clarity on where Ministers and agencies can expect to be responsible for leading work on a topic, I recommend that Ministers and agencies remain accountable for developing policies in their portfolios consistent with the first emissions reduction plan [CAB-22-MIN-0152]. Appendices 2 and 3 set out accountabilities, as previously agreed for work on the first emissions reduction plan, against the system elements as proposed.
- 66 These accountabilities are defined to provide clear lines of decision-making responsibility for each sector, topic or portfolio. This is not intended to limit the approach of working across systems, or to provide oversight of each system to one Minister.
- 67 There will be roles for other Ministers and other agencies who are not listed in appendices 2 and 3 in the development and contribution of content for the second emissions reduction plan. For example, the Minister of Foreign Affairs (and the Ministry of Foreign Affairs and Trade) will have a role across the plan to ensure that international trade and supply chains are considered.

Ensuring accountability for required content in the plan

- 68 Overall responsibility for emissions reduction plans rests with the Minister of Climate Change. However, I also recognise the need for the plan to be shaped within a broader context, given its wide-ranging impacts and level of national importance. I therefore recommend that:
- 68.1 The narrative of the second emissions reduction plan be led by the Minister of Climate Change, with support from the Prime Minister and the Minister of Finance.

- 68.2 The Prime Minister, Minister of Finance and Minister of Climate Change have oversight of the development and implementation of the multi-sector strategy for the second emissions reduction plan.⁴ This will bring together all of the sector-specific policies, as well as key enabling measures to align system settings with the transition and tools that support abatement across sectors (for example, emissions pricing and funding and finance).
- 69 The second emissions reduction plan must also include a strategy to mitigate the impacts that the emissions reduction plan will have on key groups. This includes a specific focus on recognising and mitigating the impacts that reducing emissions and increasing removals will have on iwi and Māori.⁵
- 70 This part of the strategy recognises the Crown's responsibility to give effect to the principles of the Treaty of Waitangi (section 3A(ad)) and requires specific attention. I recommend that the Ministry for the Environment develops further advice on how this part of the strategy will be progressed. In doing so, the Ministry for the Environment will be supported by Te Arawhiti, Te Puni Kōkiri and the Ministry of Business, Innovation and Employment.

Key decision-making milestones

- 71 The timeframes for delivering the second emissions reduction plan by 31 December 2024 are challenging.
- 72 I recommend that Cabinet endorse the milestones in Table 1 for the development of the second emissions reduction plan, noting that these will be re-confirmed in early 2024.
- 73 While preparatory work must happen now, this timeline also ensures that the Government can fully consider the Climate Change Commission's final advice, which is due at the end of 2023.
- 74 Officials have ensured that the work outlined in this Cabinet paper is prioritised and sequenced through 2023 and 2024.
- 75 Officials will initially work on the pathways to 2050, and indicative actions within systems, as a priority. Indicative actions developed by officials will be expressed at a high level (including rough order of magnitude benefits and costs), to be further refined after initial Ministerial direction in December 2023.
- 76 Agencies will consider the cross-cutting issues described in Figure 1 at a high level by December 2023, with detailed advice developed in 2024. This approach sequences work appropriately while allowing Ministers to consider initial pathways, choices and trade-offs in December.

⁴ The multi-sector strategy is a requirement under Climate Change Response Act 2002, section 5ZG(b)(3).

⁵ Climate Change Response Act 2002, section 3A(ad).

Table 1: Indicative milestones for delivering the second emissions reduction plan

Date	Milestone
December 2023	<p>Officials will deliver advice to the Ministers accountable for the development of parts of the emissions reduction plan. This advice will include the pathways to 2050 and outline the indicative actions for inclusion in the second emissions reduction plan.</p> <p>The Climate Change Commission must deliver its final advice on the policy direction for the second emissions reduction plan by 31 December 2023. This advice will inform policy work and proposals for the plan.</p>
s 9(2)(f)(iv)	<p>Cabinet will consider proposals for the second emissions reduction plan and approve consultation materials. Proposals will fully consider the Commission’s final advice on the policy direction for the second emissions reduction plan.</p>
s 9(2)(f)(iv)	<p>consultation on the second emissions reduction plan must occur s 9(2)(f)(iv).</p>
July 2024 (TBC)	<p>The Commission will publish its first annual report. This will assess the adequacy of the first emissions reduction plan and progress in its implementation, including any new opportunities to reduce emissions.</p> <p>The report may include recommendations for amendments to the first emissions reduction plan. It will be important for any lessons in this report to be reflected in the second emissions reduction plan.</p>
s 9(2)(f)(iv)	<p>Final policy decisions for content within the second emissions reduction plan will be brought before Cabinet s 9(2)(f)(iv).</p> <p>The plan will be drafted and finalised following decisions on content for inclusion.</p>
November/December 2024	<p>I plan to notify Cabinet of my intention to publish the finalised second emissions reduction plan in late-November/December 2024.</p>

s 9(2)(h)

[Redacted]

s 9(2)(h)

Cost-of-living Implications

- 78 This paper has no direct cost-of-living implications.
- 79 The Act requires that emissions reduction plans include a strategy to mitigate the impacts that reducing emissions and increasing removals will have on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action. The cost-of-living implications of policies and strategies progressed as part of the emissions reduction plan will be outlined in papers seeking final policy decisions from Cabinet.

Financial Implications

- 80 This paper has no financial implications. However, the final emissions reduction plan will have financial implications, which will be outlined in the Cabinet paper(s) seeking final policy decisions.

Legislative Implications

- 81 This paper has no legislative implications. However, the final emissions reduction plan may have legislative implications. These will be outlined in the Cabinet paper(s) seeking final policy decisions.

Impact Analysis

Regulatory Impact Statement

- 82 This paper does not contain any policy proposals and does not require a regulatory impact statement. However, the policies and strategies comprising the final emissions reduction plan will need to meet the applicable requirements.

Climate Implications of Policy Assessment

- 83 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply as there is no direct emissions impact at this stage.
- 84 The proposals in this paper intend to support the development of the second emissions reduction plan. The climate implications of the policies and strategies comprising the emissions reduction plan will be outlined in papers seeking final policy decisions.

Population Implications

- 85 This paper has no population implications.

- 86 The population implications of policies and strategies progressed as part of the emissions reduction plan will be outlined in papers seeking final policy decisions from Cabinet.

Human Rights

- 87 The proposals in this paper do not have any immediate human rights implications.

Te Tiriti o Waitangi

- 88 The proposals in this paper aim to give effect to the principles of Te Tiriti o Waitangi. This includes ensuring that rights and interests under Te Tiriti o Waitangi and settlements are considered in the development of each part of the second emissions reduction plan.

- 89 It is generally accepted that climate change is likely to have disproportionate impacts on Māori. The emissions reduction plan will identify distributional impacts, including for Māori, and how these can be mitigated. This work will be informed by a policy development approach that is guided by Te Tiriti principles.

Use of external resources

- 90 No external resources have been used in the preparation of policy advice in this paper.

- 91 Limited external resources will be required over the next eighteen months for specialist technical work performed on a one-off basis, such as pathway modelling. Any further information on external resourcing for the second emissions reduction plan will be outlined in papers seeking further policy decisions from Cabinet.

Consultation

- 92 The Ministry for the Environment has consulted the following agencies: Ministry of Business, Innovation and Employment; Ministry of Social Development; Ministry of Transport; Ministry for Primary Industry; the Treasury; Ministry of Foreign Affairs and Trade; Department of Conservation; Energy Efficiency and Conservation Authority; Te Puni Kōkiri; The Office for Māori Crown Relations – Te Arawhiti; Department of Prime Minister and Cabinet, Department of Internal Affairs; Ministry of Housing and Urban Development; Ministry of Education; Te Waihanga (Infrastructure Commission).

- 93 No Ministerial comments were provided on this paper.

Communications

- 94 This paper does not include any new policy proposals and does not require government advertising or publicity at this stage.

Proactive Release

95 I propose to proactively release this Cabinet paper following the publication of the second emissions reduction plan. As it stands, the work relating to the second emissions reduction plan is under active consideration.

Recommendations

The Minister of Climate Change recommends that the Committee:

General

- 1 **note** that the Climate Change Response Act 2002 requires the second emissions reduction plan to be published by 31 December 2024;
- 2 **note** that the second emissions reduction plan will set out the policies and strategies needed to meet the second emissions budget (2026-2030) and may also include policies and strategies for meeting the third emissions budget (2031-2035);
- 3 **note** that:
 - 3.1 on 26 October 2021, Cabinet noted that the government's priority is to meet the first Nationally Determined Contribution (NDC) through domestic action as much as possible [CAB-23-MIN-0283];
 - 3.2 on 3 July 2023, Cabinet noted that meeting more of the first NDC through domestic action will require doing much more through the second emissions budget plan, and agreed that the development of the second emissions budget plan should include a process to identify, develop and assess significant new proposals that could support this over-achievement [CAB-23-MIN-0283];
- 4 **note** that delivering the emissions reduction plan will require significant work and collaboration across multiple agencies and Ministerial portfolios;

Approach

Maintaining an approach consistent with meeting the 2050 target

- 5 **note** that the Climate Change Commission's draft advice on the policy direction for the second emissions reduction plan recommended that Government communicate indicative levels of gross emissions reductions and carbon dioxide removals from forestry out to 2050 and beyond to guide policy development;
- 6 **note** that, while the Commission's draft advice may change in response to public consultation, initial exploratory analysis is needed to ensure the government is well-placed to respond to the Commission's final recommendations (due by 31 December 2023);

- 7 **direct** officials to begin work to develop a small set of pathways to 2050 and identify emissions reduction potential, costs, and the key decisions, actions, and investments that are required, and by when;


Agreeing to a systems approach

- 8 **note** that taking a purely sector-based approach to climate policy design risks overlooking cross-sector dependencies that are critical to the transition and the broader outcomes we need to achieve;
- 9 **direct** that officials provide policy advice to Ministers for the second emissions reduction plan through systems, rather than individual sectors;

Defining the initial systems for development of the second emissions reduction plan

- 10 **note** that to ensure coherent and more connected policy development, officials will develop policies within the following systems:

s 9(2)(f)(iv)



- 11 **note** that officials will consider and address the following topics across each system:

- 11.1 Māori rights and interests;
- 11.2 equitable transition;
- 11.3 working with nature;
- 11.4 adaptation and resilience;
- 11.5 behaviour change;
- 11.6 circular and bioeconomy;

- 11.7 cross-cutting economic enablers (research, science and investment capability, access to the appropriate types and quantity of funding and finance, understanding skills and talent gaps and how to address them);
 - 11.8 emissions pricing;
 - 11.9 planning and infrastructure;
 - 11.10 research, science, innovation and technology;
- 12 **note** that the systems identified in recommendations 10 and 11 are likely to evolve – officials may adjust them with agreement of the Climate Change Chief Executives Board, and Cabinet as appropriate;

Giving effect to the principles of Te Tiriti o Waitangi

- 13 **agree** that each agency with a contributing role for the second emissions reduction plan will share plans for engaging with Māori and the outcomes of that engagement with the Ministry for the Environment, who will advise the Minister of Climate Change in ensuring Māori have been adequately consulted in the development of the plan;
- 14 **agree** that Cabinet will receive advice to ensure that decisions related to the second emissions reduction plan reflect Māori rights, interests, and perspectives:
- 14.1 s 9(2)(f)(iv) [REDACTED] –
 - 14.1.1 a report outlining the insights and feedback received from iwi/hapū and Māori s 9(2)(f)(iv) [REDACTED]
 - 14.1.2 recommendations on how to incorporate this feedback into policies for inclusion in the second emissions reduction plan;
 - 14.2 *prior to decisions on final policy for inclusion in the second emissions reduction plan* –
 - 14.2.1 a report providing an overview of impacts for Māori, based on available data;
- 15 **direct** officials to establish a reference group comprising Māori representatives to input into emissions reduction plans as they are developed and implemented, including on-going decisions on the pathways to 2050, noting that the membership of this group will be agreed by the Minister of Climate Change, with support from the Minister for Māori-Crown Relations: Te Arawhiti;

More coordinated engagement

- 16 **note** that the Minister of Climate Change is responsible for ensuring that consultation on emissions reduction plans has been adequate, including with sector representatives, affected communities, and iwi and Māori, and undertake further consultation as the Minister considers necessary;
- 17 **agree** that engagement for the second emissions reduction plan should be coordinated, including:
- 17.1 ensuring government resources are used appropriately;
 - 17.2 avoiding repetition of engagement on similar topics with the same stakeholders.
- 18 **agree** that a coordinated engagement approach for the second emissions reduction plan be overseen by the Ministry for the Environment, as the agency responsible for the coordination of emissions reduction plans;
- 19 **agree** that each agency with a contributing role for the second emissions reduction plan share engagement and consultation outcomes for work related to the emissions reduction plan with the Ministry for the Environment, who will advise the Minister of Climate Change on the adequacy of consultation as required in the Climate Change Response Act 2002;

Developing a funding and financing approach

- 20 **note** that the success of the second emissions reduction plan in driving the reductions needed to achieve the second emissions budget is dependent on effective funding and financing;
- 21 **note** that the Climate Change Chief Executives Board will update the Minister of Finance and Minister of Climate Change on progress of the strategic pipeline for climate investment s 9(2)(f)(iv) [REDACTED]
- 22 s 9(2)(f)(iv) [REDACTED]
- 23 **note** that the Treasury and the Ministry for the Environment will comment on any significant fiscal implications associated with the options for strategic direction for the second emissions reduction plan s 9(2)(f)(iv) [REDACTED];

Accountabilities

- 24 **note** that the Minister of Climate Change has overall responsibility for emissions reduction plans and that recommendations 25 to 31 do not affect this statutory responsibility;
- 25 **direct** agencies to prioritise the development of policies and content for inclusion in the second emissions reduction plan, including ensuring that the work is sufficiently resourced for delivery;

Agreeing to assign responsibilities to support a systems approach

- 26 **agree** that Ministers and agencies will remain accountable for developing policies in their portfolios, consistent with responsibilities agreed for the first emissions reduction plan [CAB-22-MIN-0152];

Further Ministerial accountability to ensure the second emissions reduction plan meets the requirements of the Act

- 27 **note** that the Climate Change Response Act 2002 requires every emissions reduction plan to include:
- 27.1 sector-specific policies to reduce emissions and increase removals;
 - 27.2 a multi-sector strategy to meet emissions budgets and improve the ability of those sectors to adapt to the effects of climate change;
 - 27.3 a strategy to mitigate the impacts of the emissions reduction plan on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action; and
 - 27.4 any other policies or strategies that the Minister considers necessary;
- 28 **agree** that the overarching narrative for the second emissions reduction plan will be led by the Minister of Climate Change, with support from the Prime Minister and the Minister of Finance;
- 29 **agree** that the Prime Minister, Minister of Finance and Minister of Climate Change will have oversight of the development and implementation of the multi-sector strategy (recommendation 27.2);
- 30 **note** that Cabinet will receive further advice on how the strategy to mitigate the impacts of the emissions reduction plan (recommendation 27.3) will be developed;
- 31 **agree** that work to recognise and mitigate the impacts on iwi and Māori of reducing emissions (as part of the strategy outlined in recommendation 27.3) will be scoped by the Ministry for the Environment as the lead agency for this work, with support from Te Puni Kōkiri, the Ministry of Business, Innovation and Employment and Te Arawhiti;

Timeframes

- 32 **agree** that Ministers with a responsibility to contribute to the second emissions reduction plan (as set out in recommendations 26 to 29) will receive a package of advice on the second emissions reduction plan in December 2023; including at minimum:
- 32.1 a small set of plausible pathways to achieve the 2050 target;

- 32.2 existing, expanded and new actions at an indicative level within consolidated system packages, aligned to the potential pathways;
- 33 **note** that the work outlined in the paper is prioritised and sequenced –detailed policy work on system actions and cross cutting issues will not occur until 2024;
- 34 **endorse** the following indicative milestones for the development of the second emissions reduction plan in 2024:
- s 9(2)(f)(iv) Cabinet decisions on early policy development and consultation materials;
 - s 9(2)(f)(iv) final policy decisions on content for the second emissions reduction plan;
- 34.3 *Late-November/December 2024* notification to Cabinet of intention to publish the finalised second emissions reduction plan.

Authorised for lodgement

Hon James Shaw

Minister of Climate Change

Appendix One: Legal requirements for the delivery of emissions reduction plans under the Climate Change Response Act 2002

- 1 The Climate Change Response Act 2002 (the Act) (section 5ZG(3)) requires that each emissions reduction plan contain:
 - 1.1 sector-specific policies to reduce emissions and increase removals (i.e., across agriculture, forestry, transport, building and construction, waste, and heat, industry and power)
 - 1.2 a multi-sector strategy to meet emissions budgets and improve the ability of those sectors to adapt to the effects of climate change;
 - 1.3 a strategy to mitigate the impacts on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action;
 - 1.4 any other policies or strategies that the Minister of Climate Change considers necessary.
- 2 The Act sets out a further requirement that the emissions reduction plan must include a strategy to recognise and mitigate the impacts on iwi and Māori of reducing emissions and must ensure that iwi and Māori have been adequately consulted on the plan, as part of recognition of the Crown's responsibility to give effect to the principles of the Treaty of Waitangi (section 3A(ad)).
- 3 The Act also requires that:
 - 3.1 The second emissions reduction plan must set out the policies and strategies to meet the second emissions budget, but may also include policies and strategies to meet the third emissions budget (section 5ZG(1)(b));
 - 3.2 In preparing the plan, the Minister of Climate Change must consider the Commission's advice on the direction of the policy required in the emissions reduction plan for that emissions budget period (section 5ZI(1)(a));
 - 3.3 The Minister of Climate Change must also ensure that consultation has been adequate, including with sector representatives, affected communities, and iwi and Māori (sections 5ZI(1)(b) and 3A(ad)).

Appendix Two: Ministerial and agency responsibilities for sector-specific content (as agreed for the development of the first emissions reduction plan), including the proposed links to contribute to systems for the second emissions reduction plan

s 9(2)(f)(iv)

Sector	Responsible Minister	Agency/Agencies
Agriculture	Minister of Agriculture	MPI
Building and construction	Minister of Building and Construction	MBIE (supported by MHUD, Kāinga Ora, EECA)
Energy and industry	Minister of Energy and Resources	MBIE (supported by EECA)
Fluorinated Gases (F-Gases)	Minister for the Environment	MFE
Forestry	Minister of Forestry	MPI
Transport	Minister of Transport	MOT (supported by Waka Kotahi (NZTA))
Waste	Minister for the Environment	MFE

Appendix Three: Ministerial and agency responsibilities for cross-cutting content (as agreed for the development of the first emissions reduction plan), to work across each system for the second emissions reduction plan

Elements of system plans	Responsible Minister/s	Agency/Agencies
Māori rights and interests	Minister of Climate Change (supported by Minister for Māori Crown Relations: Te Arawhiti and Minister for Māori Development)	MFE (supported by TPK, MBIE and Te Arawhiti)
Equitable transition	Minister for Social Development and Employment; Minister for Economic and Regional Development (supported by Minister of Education; and Minister of Climate Change)	MBIE, MSD (supported by MFE, TSY, MOE)
Working with nature	Minister of Climate Change; Minister of Conservation	DOC, MFE
Adaptation and resilience (consistent with existing accountability for adaptation work)	Minister of Climate Change	MFE
Behaviour change (consistent with existing accountabilities for related actions in the first emissions reduction plan)	Minister of Climate Change	MFE
Circular and bioeconomy	Minister of Energy and Resources; Minister for Economic and Regional Development; Minister of Forestry	MBIE (supported by MPI, MFE)
Cross-cutting economic enablers	<i>Research, science and investment capability</i> See Research and innovation	See Research and innovation
	<i>Access to the appropriate types and quantity of funding and finance</i> Minister of Finance; Minister of Climate Change	TSY, MFE (supported by MBIE, DIA)
	<i>Understanding skills and talent gaps and how to address them</i> See Equitable transition	See Equitable transition
Emissions pricing	Minister of Climate Change (supported by Minister of Energy and Resources; Minister for the Environment; Minister of Agriculture; Minister of Forestry; Minister of Transport)	MFE (supported by MBIE, MPI, MOT, TSY)

IN CONFIDENCE

Planning and Infrastructure	Minister for the Environment (supported by Minister of Housing, Minister of Climate Change, Minister of Infrastructure)	MFE (supported by HUD, MOT, Te Waihangā, TSY)
Research, science, innovation and technology	Minister of Research, Science and Innovation	MBIE (supported by EECA, MPI, MFE)