

In Confidence

Office of the Minister for Climate Change

Chair, Cabinet Business Committee

The 100 Day Plan for Climate Change

Proposal

1. This paper seeks your agreement:
 - 1.1. for a participatory and transparent process towards introducing a Zero Carbon Bill;
 - 1.2. to new funding associated with the Zero Carbon Bill and for an Interim Climate Change Committee.

Executive summary

2. I am seeking your agreement for a participatory and transparent process towards introducing a Zero Carbon Bill (the Bill). My intention is for the Bill to:
 - 2.1. set a new 2050 greenhouse gas emissions reduction target in law;
 - 2.2. establish an independent Climate Change Commission (the Commission);
 - 2.3. define the Commission's roles, powers and functions.

These were signalled in the Government's 100 Day Plan, the Government's coalition agreement between the New Zealand Labour Party and New Zealand First (Coalition Agreement), and in the Government's confidence and supply agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand (Confidence and Supply Agreement).

3. I am not at this point seeking agreement for any sector-specific emissions reduction or climate change support policies, or agreement to introduce the Bill. I intend to seek Cabinet agreement on these matters following extensive public and industry engagement informed by expert advice and significant evidence.
4. This Government is committed to taking decisive action on climate change and transitioning to a net zero target by 2050. Climate change is no longer characterised as simply an environmental matter. I am acutely aware of the important economic and social implications and opportunities.
5. Addressing climate change is interdependent with our broader economic strategy. Transitioning the economy to a net zero target will impact on households and firms, as well as governments – now, and in the future. It will change behaviours and has intergenerational implications.
6. The Government is committed to a just transition for working people, communities, regions and industries. I expect the Commission to build this into its approach as a guiding principle and to act consistently with the principles of the Treaty of Waitangi.
7. I think it is critically important to take time to engage with and consult New Zealanders (including Māori, businesses and those in the regions) on a 2050 emissions reduction target and creating an enduring Commission. Building

robust evidence and modelling the economic implications of the target will also take time. To ensure these things are done well, I intend for the Bill to be introduced to the House of Representatives by October 2018.

8. There are advantages to focusing on the broad 2050 goal and the roles and functions of the Commission before considering more detailed matters such as sector-specific policies (eg, agriculture) and emissions trading policy. The principles identified through consultation on the Bill can guide sector-specific work and work on the New Zealand Emissions Trading Scheme (NZ ETS).
9. Once consultation on the Bill is complete, I intend to report back to Cabinet to seek policy decisions by 31 August 2018. The policy development focus can then turn to sector-specific matters and the NZ ETS, with any amendments to the Climate Change Response Act 2002 made by the end of 2019.

Interim Climate Change Committee

10. To ensure timely delivery of the Government's commitments, I propose to create an Interim Climate Change Committee (Interim Committee) as a precursor to the Commission. The Interim Committee will prepare evidence and analysis on key issues, and pass this to the Commission to make recommendations to Government when it is formally established in 2019.
11. The Coalition Agreement references the Commission providing advice on whether agriculture should face unit surrender obligations under the NZ ETS, at 95% free allocation, with revenues being recycled back into agriculture to encourage innovation, mitigation and afforestation. Agriculture has been identified as a pressing matter because the sector makes up approximately half of our emissions. The Commission can provide independent advice on whether and how agriculture should play a greater role.
12. The Confidence and Supply Agreement also signals that the Commission will play a role planning New Zealand's transition to generate 100 per cent of its electricity from renewable sources, in a normal hydrological year.
13. The Interim Committee could begin by considering the roles of agriculture and electricity generation in achieving our emissions reduction goals.
14. The Interim Committee will leverage work already underway in public sector departments and other organisations such as the Productivity Commission and the Biological Emissions Reference Group. We need to ensure we bring the agricultural sector along with us. We may also need to consider complementary policies to ensure farmers are supported with clear and reasonable options and pathways to reduce their emissions.

Financial implications

15. Funding has already been reprioritised from within Vote Environment, and also some from other natural resources sector agency baselines. I am seeking the following additional funding for Vote Environment:
 - 15.1. \$0.460 million for 2017/18 and \$0.180 million for 2018/19 for the development of the Zero Carbon Bill. This includes consultation and associated costs, and the drafting and legislative process;
 - 15.2. \$0.774 million for 2017/18 and \$2.841 million for 2018/19 for the formation and ongoing support for the Interim Committee, including the associated secretariat.

Public Sector Chief Executive Board and Climate Change Impact Assessment

16. I also propose to report to Cabinet by 28 February 2018 on the establishment of a new public sector Climate Change Chief Executive Board, and by 15 December 2018 on introducing a climate change impact assessment requirement for all new legislation.

Background

We have committed to taking decisive action on climate change and transitioning the economy to a net zero target

17. Climate change is having, and will continue to have over many generations, significant impacts on people, the environment and the economy. In 2016, New Zealand ratified the Paris Agreement and made international commitments to support the global response to the threat of climate change. The Paris Agreement aims to:
- 17.1. hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels;
 - 17.2. pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.
18. We need to act now to ensure we have resilient systems in place for both mitigating emissions and adapting to the effects of climate change in New Zealand. The sooner we act, the more time and options we will have for the transition, and the fewer sunk costs are likely to occur in investments that do not aid the transition.
19. While New Zealand's emissions are 0.17 per cent of the global total, we can take a greater leadership role on the international stage. The actions we have taken internationally have influenced, and will continue to influence, larger nations.
20. Adverse impacts on other countries, particularly Pacific Island countries with which we have strong relationships and provide climate-related support, will also affect New Zealand. Limiting the rise in global temperatures to 1.5 degrees Celsius is a critical objective for our Pacific Island neighbours.
21. As a small trade-exposed nation we need to move with the rest of the world to remain competitive. There is an opportunity to take action to reduce our emissions in line with global expectations, so that New Zealand goods and services are known as low-emissions. There are already signs of changing wholesale and retail consumer demand for low emissions products and services in some markets, for example electric vehicles.
22. In taking action, we need to recognise that the impacts of the transition on New Zealand's export economy, including exports of different products and services to different markets, will vary.
23. We can take this opportunity to diversify our economy while still making the most of our competitive advantage in the primary sectors – our productive land and temperate climate.
24. We have a strong national interest in contributing to effective global, regional and domestic climate change action by transitioning the economy to a net zero target.

The immediate actions we have committed to in our 100 Day Plan will help us shape the pathway to this transition

25. The Government's 100 Day Plan indicates that we will have set the net zero carbon goal and begin setting up an independent Climate Commission.

I acknowledge this transition will be challenging and will require a fundamental economic shift

26. New Zealand has an existing 2030 target (our Paris Agreement contribution). This commits us to a reduction in emissions to 11% below 1990 levels by 2030 (30% below 2005 levels).

27. Based on current estimates, approximately 193 million tonnes of carbon dioxide equivalent (MtCO₂e) abatement (ie reduce emissions, absorb through forests or buy international emissions reductions) is required over the 2021-2030 period to meet this target. Achieving the 2030 target will require significant action across multiple sectors of the economy, particularly if the target is primarily to be met by domestic efforts. For example, the forecast abatement from forestry would only mitigate approximately 18 MtCO₂e across the 2021-2030 period (I understand that the proposed Billion Trees Planting Programme could lead to between 10 and 30 MtCO₂e of additional carbon dioxide being stored).

28. Taking bolder action on climate change will require further investment, policy intervention, social adjustment, and economic transformation. This could include moving towards 100 per cent renewable electricity generation, with: fossil fuel generation only called upon in years of hydroelectric electricity generation shortages; the electrification of low grade industrial heat sources; and a shift to mostly electric vehicles with more domestic freight carried by rail. New methane inhibitors and techniques to reduce biological emissions would also need to be developed, and we will need changes in land use, including substantial afforestation.

The transformation will also bring benefits, and will enable New Zealand to become a world leader in emissions reduction innovation

29. As countries take steps to reduce their own emissions, we can expect global demand to increase the need for clean technology, low-emissions food, fibre, and other materials. Transitioning the economy to a net zero target could give New Zealand businesses and producers a competitive advantage to meet the expected new demand in global markets.

30. Diversifying our economy will make New Zealand more able to adapt and manage risk. It will also put us in a stronger position to show leadership internationally, and materially assist our neighbours. Therefore it is critical to ensure the climate change policies we develop fit within, and support the Government on the delivery of our broader economic transition.

Charting a transition pathway that takes New Zealanders with us will be important

31. Setting up a smart and inclusive transition pathway will be important to take New Zealanders with us, capitalising on the lower cost and 'least regrets' opportunities first. The economic and social system that we work within is complex, and so we need to take an adaptive, rather than linear approach to the transition.

32. The transition pathway includes actions such as planting trees, making the most of our abundant renewable electricity, and having supportive policies that

accelerate the uptake of technologies such as electric vehicles. The transition pathway also includes getting the settings for urban design right so that we can reduce our costs and risks in future years.

33. This approach helps us pave the way for, and buys us time for, technological innovations, as well as signalling our intentions to businesses in all sectors and communities. Done in a measured way, this will help build support and momentum for diversifying our economy at the regional and national level, supporting our ongoing international competitiveness, and aiming to mitigate against economic shocks.

Comment

My intent is to introduce a Zero Carbon Bill

34. I intend that the overarching purpose of the Bill will be to act as the architecture for transitioning New Zealand to a net zero target. I intend that the Bill will:

- 34.1. set a new 2050 greenhouse gas emissions reduction target in law;
- 34.2. establish an independent Commission;
- 34.3. define the Commission's roles, powers and functions.

35. The Bill's emphasis will be on transparency and accountability. The Bill will guarantee the public's right to know whether New Zealand is on track to meet its climate obligations, and hold the government to account.

Principles for a just and effective transition

36. I seek agreement to the following key principles to ensure a just and effective transition:

- 36.1. taking a **transparent and participative approach** to climate change policy, with wide community, business and Māori engagement and consultation (acting consistently with the principles of the Treaty of Waitangi), and ensuring cross-party support;
- 36.2. ensuring that policy settings **provide investment predictability**, so we can help businesses and communities plan ahead by being clear about what our climate change goals are now;
- 36.3. being **ambitious** with respect to reducing our gross emissions by not unduly relying on international emissions reductions to meet our targets, while retaining all options at this point;
- 36.4. creating **enduring institutional arrangements** for climate change and environmental governance, with decisions underpinned by strong data and evidence.

A transparent and participative approach developing this legislation is critical

37. To ensure the new legislation is enduring, it is important for legislative development to be transparent and participatory, with widespread public buy-in. I am therefore seeking Cabinet agreement to the following steps:

- 37.1. December 2017: **Announce** the intent, process and potential timing for a Bill.
- 37.2. Now until April 2017: work with officials and engage with key stakeholders to **develop the scope of the Bill** including: early engagement with key

stakeholders including Māori; developing options on how to define the 2050 target; carrying out economic modelling to develop robust evidence; and developing the role, power and functions of the Commission. I also intend to engage with Ministerial and Parliamentary colleagues on these options.

37.3. May/June 2017: **Public consultation on the Bill:** I intend to seek Cabinet approval to the consultation process in May 2018 then consult the public, businesses and Māori in May-June 2018 on: the definition of the 2050 target; the role, function and powers of the Commission; and any other matters to be included in the Bill. I intend for this consultation to be thorough, innovative, informed by evidence, and include several different forms of consultation tailored to different sections of the population and economy. By signalling its timing well in advance, we will give all key stakeholders time to prepare for the consultation itself.

37.4. August-October 2018: **Cabinet consideration of policy** by 31 August 2018, with a view to **introducing the Bill to Parliament** by 31 October 2018.

38. Potential timing for the proposed process is set out in Appendix 1.

Defining and setting a new 2050 target in law may help investor predictability

39. Setting a new emissions reduction target for 2050 (2050 Target) through the Bill will give it greater legal standing and implies that the Government will be expected to spell out a detailed plan for exactly how to meet it. There are existing mechanisms in the Climate Change Response Act 2002 to set targets (eg, by publication in the *New Zealand Gazette* or through regulations) which could be faster than passing a bill. Codifying the 2050 Target in primary legislation and having a detailed plan for meeting it could assist in:

39.1. creating a stable policy environment for businesses to be able to make long-term investment decisions;

39.2. enabling greater public transparency, participation and scrutiny over process;

39.3. driving growth and innovation;

39.4. ensuring New Zealand is world leading in honouring the Paris Agreement aims to hold global warming to well below two degrees Celsius, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius.

40. I have asked officials to do further work on the 2050 Target (including economic modelling and analysis) and intend to report back to Cabinet with options for consultation by 31 May 2018.

Establishing a Commission will help create enduring institutional arrangements for climate change

41. Our institutional arrangements need to be able to address the incompatibility of the long-term nature of climate change and short-term political cycles. A number of countries have sought to address this through changes to institutional arrangements that better place them to meet the intergenerational challenge of climate change.

42. The Parliamentary Commissioner for the Environment proposed the establishment of an independent Climate Change Commission (similar to the UK Committee on Climate Change, established under the UK Climate Change Act 2008) as a way of addressing this issue in New Zealand. This was also signalled

by the Government in the 100 Day Plan. Stakeholders, including a number in the business community, have indicated their support for such a model. More information on the key elements of the UK Climate Change Act 2008 is set out in Appendix 2.

43. I therefore propose that an independent Commission be established through the Bill. The new Commission could be set up as an independent body, and keep future Governments on track to meeting the long-term emissions reduction commitments. While I see this as its primary function, as with the UK model, I would also expect it to have a role in helping us better adapt to the impacts of unavoidable climate change.

The proposed timing of the Bill affects the way we progress the Government's commitments on agriculture and electricity

44. The Government's Coalition Agreement references the Commission providing advice on whether agriculture should face unit surrender obligations under the NZ ETS, at 95% free allocation, with revenues being recycled back into agriculture to encourage innovation, mitigation and afforestation. Agriculture has been identified as a pressing matter because the sector makes up approximately half of our emissions. The Commission can provide independent advice on whether and how agriculture should play a greater role.
45. The Government's Confidence and Supply Agreement notes that the Government will request the Climate Change Commission plan the transition to 100 per cent renewable electricity by 2035 in a normal hydrological year and investigate the use of solar panels on schools as part of this goal (the Renewable Electricity Target).
46. A thorough consultation process will be crucial for ensuring that the Commission becomes an enduring part of the institutional arrangements for climate change. This is likely to mean that the Commission is formally established and operating in mid-2019, subject to the timing of the passage of the Bill through the House of Representatives, including the Select Committee process.

I propose an Interim Climate Change Committee

47. In order for us to progress climate change action ahead of a Commission being established, I propose to set up an expert body called the Interim Climate Change Committee (the Interim Committee).
48. Any advice from the Interim Committee will be premised on a 'just' transition path, which considers the social and economic impacts of the transition.
49. The Interim Committee's analysis will be provided to the Commission to inform recommendations on the role of agriculture in climate change policy and the transition to 100 percent renewable electricity.
50. I propose that the Interim Committee work with Ministry of Business, Innovation and Employment (MBIE) officials and other experts including the Energy Efficiency and Conservation Authority on the Renewable Electricity Target. I am advised that this will allow us to take relevant policy considerations into account including consumer affordability, the Retail Pricing Review, and the security of electricity supply.
51. The Interim Committee could consist of three to five members, who must be of a very high calibre, with appropriate skillsets. I propose it be mandated to develop analysis and evidence prior to the full establishment of the Commission, and its

reports would be made public. I will seek to obtain cross-party consensus on the membership and terms of reference of the Interim Committee, if possible.

52. The Interim Committee will draw from, and build upon, work already underway by the Productivity Commission, the Biological Emissions Reference Group in relation to agriculture, and other relevant expert bodies, including potential reports from the Parliamentary Commissioner for the Environment. Significant public engagement with the relevant sectors will also be required to ensure that the advice of the Commission leads to successful and enduring policies.
53. The Interim Committee will work closely with public sector agencies to leverage and build on existing expertise and avoid duplication.
54. Following consultation with Parliamentary parties, I intend to seek Cabinet agreement (along with the Minister of State Services) by 28 February 2018 to the terms of reference for the Interim Committee, including its mandate, remit, composition, support arrangements, and how it will engage with sectors and stakeholders as it prepares its advice.
55. I also intend to seek approval at that time to set up a secretariat of officials from the Ministry for the Environment and relevant agencies to support the Interim Committee.

Changes to the NZ ETS are required, and ideally would be made after the Zero Carbon Act is passed

56. On 10 July 2017, Cabinet approved in-principle changes to the NZ ETS to make it more effective [CAB 17-MIN-0369 refers]. These changes include:
 - 56.1. introducing auctioning of units (to align the supply of units in the NZ ETS with our emissions reduction target for 2021-2030);
 - 56.2. limiting use of international emissions reductions when the NZ ETS re-opens to international carbon markets (no date was set for re-opening to international markets and the level for a limit has not yet been specified);
 - 56.3. developing a different price ceiling (there is now a fixed \$25 per unit option);
 - 56.4. coordinating decisions on the supply of units over a rolling five-year period (this will set up a more predictable and transparent process for decision-making on NZ ETS supply settings such as unit volumes and the level of any price controls. This mechanism could be used to give effect to carbon budgets that may be set by the Commission).
57. Officials are also doing further work on forestry, free allocation and operational improvements to the NZ ETS. Depending on the outcomes of this work, I may also seek to make changes to the NZ ETS on these matters.
58. My intention is to introduce the Zero Carbon Bill to the House of Representatives by 31 October 2018, so the Act can be in force by mid-2019.
59. The Climate Change Response Act 2002 establishes the NZ ETS. I intend that any amendments be made through a Climate Change Response Amendment Bill by the end of 2019. Ideally, these changes would follow the commencement of the Zero Carbon Act and the Commission's consideration of the role of agriculture in climate change policy.

In the meantime, there is an opportunity to strengthen collective responsibility and align climate change action across the public sector

60. The Confidence and Supply Agreement agrees to establish a new cross-agency climate change board of public sector chief executives (the CE Board).
61. There are existing groupings of chief executives to build from. Chief executives from the public service's economic and natural resources agencies have been considering how to deliver broader natural resources and economic outcomes, in addition to their individual accountabilities. The final scope and functions of a CE Board will need to be defined in relation to the scope and functions of the Commission.
62. The Confidence and Supply and Coalition Agreements present opportunities for the CE Board to work towards specific results before the Commission is established. This could include transport and energy priority goals, and the Billion Trees Planting Programme. When the Commission is established, key considerations for the CE Board could be its role in setting and implementing policies to meet carbon budgets, or its respective role in relation to adapting to climate change.
63. I and the Minister of State Services intend to report back to Cabinet by the end of February 2018 with a mandate, remit, terms of reference, and support arrangements for the CE Board, and its relationship with broader governance arrangements for economic and environmental policies.

We also need to ensure that Government is aligned in our approach

64. Climate change will not just impact on our natural environment, but on all sectors in New Zealand – including our health systems, infrastructure, and primary industries.
65. One way of ensuring that the Government is aligned in our approach is to introduce a requirement for a climate impact assessment analysis, as set out in the Confidence and Supply Agreement. I have asked officials to develop options on this commitment, and I propose to report back to Cabinet by 15 December 2018 on preferred options.
66. In the meantime, I encourage Ministers and departments to consider climate change when developing policy proposals, particularly within the analysis of Government's 100 Day Plan proposals (e.g. KiwiBuild).

Ministerial meetings on climate change will also aid collaboration

67. I also seek agreement to establish a group of Ministers holding relevant portfolios such as Environment, Energy & Resources, Forestry, Agriculture and Transport to meet regularly on climate change. This will enable me to ensure cross-sectoral and cross-systems collaboration on climate change matters.

Implications for Māori are important

68. The impacts of climate change and emissions reduction policies will be felt strongly by Māori. It is important that I engage early and widely with Māori. I have asked my officials to work with relevant government departments on this.
69. I intend for the Climate Commission, when it is established, to contain expertise relating to mātauranga Māori, act consistently with the principles of the Treaty of Waitangi, and build meaningful partnerships with Māori.

Consultation

70. The following agencies have been consulted on this paper: the Department of the Prime Minister and Cabinet (Policy Advisory Group); State Services Commission; the Treasury; Parliamentary Counsel Office; Ministry of Foreign Affairs and Trade; MBIE; Department of Conservation; Department of Internal Affairs; Te Puni Kōkiri; Ministry of Transport; New Zealand Transport Agency; Ministry of Justice (Post-Treaty Settlements Unit; Civil and Constitutional Policy); Ministry for Primary Industries; Land Information New Zealand; Ministry of Health; Ministry for Women; and the Environmental Protection Authority.

Financial implications

71. Funding has already been reprioritised from within Vote Environment, and also some from other natural resources sector agency baselines. I am requesting funding for new and additional work.
72. The 100 Day Plan commitment to set the net zero goal and begin setting up the independent Climate Commission (ie, to establish the Interim Committee) has the following fiscal implications for Vote Environment:
- 72.1. funding of \$0.460 million for 2017/18 and \$0.180 million for 2018/19 for the development of the Zero Carbon Bill. This includes consultation and associated costs, and the drafting and legislative process;
 - 72.2. funding of \$0.774 million for 2017/18 and \$2.841 million for 2018/19 for the formation and ongoing support for the Interim Committee, including the associated secretariat.
73. These implications will be managed against the operating and capital spending set out for the 100 Day Plan in the Fiscal Plan and reflected in the Half-Year Economic and Fiscal Update.
74. New funding will be sought through Budget 2018 to fund the Commission. Where existing government functions are moved to the Commission, the associated funding from existing agency baselines could be transferred to it.
75. The CE Board will be funded from within associated agencies' existing baselines.
76. I intend to report back to Cabinet on the cost and benefits of policies to meet the 2050 Target, and fiscal implications of legislating a target, when seeking agreement to the public consultation process by 31 August 2018.

Human rights

77. There are no human rights implications associated with this paper.

Legislative implications

78. There are no specific legislative implications associated with this paper given policy decisions on the content and scope of the Zero Carbon Bill will be made in 2018.
79. I intend that the Zero Carbon Bill be given priority 5 (to be referred to a select committee in the year) on the 2018 Legislative Programme, with a view to passing the Bill by mid-2019.

80. The Zero Carbon Bill may need to make consequential amendments to the Climate Change Response Act 2002.
81. The indicative timeframes process map in Appendix 1 contains some tighter than usual timeframes for legislative drafting. I am advised that the Zero Carbon Bill will likely need three months' drafting time.

Regulatory impact analysis

82. The Treasury's Regulatory Quality team agree there are no regulatory implications associated with the paper at this stage. A Regulatory Impact Assessment may be required when policy approvals on the Bill are sought.

Publicity

83. I intend to announce the proposals set out in this paper on 19 December 2017, following Cabinet agreement. I also propose to proactively release this Cabinet paper.

Recommendations

I recommend that the Cabinet Business Committee:

Zero Carbon Bill

1. note my intent to introduce a Zero Carbon Bill (subject to Cabinet approval in 2018) to define a target for reducing greenhouse gas emissions by 2050 and codify the role, powers and functions of an independent Climate Change Commission in law
2. invite the Minister for Climate Change to report to Cabinet by 31 May 2018 on the content of a public discussion document and innovative consultation options including content of a Zero Carbon Bill, options for a 2050 greenhouse gas emissions reduction target, and options for a Climate Change Commission
3. invite the Minister for Climate Change to seek Cabinet policy decisions on the Zero Carbon Bill by 31 August 2018 (following public consultation), with a view to introducing the Zero Carbon Bill to Parliament by 31 October 2018
4. note that the Minister for Climate Change intends that the Zero Carbon Bill be included in the 2018 Legislation Programme with a priority 5 (to be referred to a select committee in the year) with a view to passing the Bill in 2019
5. agree the following key principles to ensure a just and effective transition:
 - 5.1. taking a transparent and participative approach to climate change policy, with wide community, business and Māori engagement and consultation (acting consistently with the principles of the Treaty of Waitangi), and ensuring cross-party support
 - 5.2. ensuring that policy settings provide investment predictability, so we can help businesses and communities plan ahead by being clear about what our climate change goals are now
 - 5.3. being ambitious with respect to reducing our gross emissions by not unduly relying on international emissions reductions to meet our targets, while retaining all options at this point

- 5.4. creating enduring institutional arrangements for climate change and environmental governance, with decisions underpinned by strong data and evidence

Net zero goal

6. note that the Minister for Climate Change has asked officials to do further work on a greenhouse gas emissions reduction target for 2050 (including economic modelling and analysis)

Climate Change Commission and Interim Climate Change Committee

7. note the intention to establish an independent Climate Change Commission in mid-2019 (subject to the Zero Carbon Bill legislative process)
8. note the importance of progressing work on priority matters, such as the role of agriculture in climate change policy and transitioning to 100 per cent renewable electricity, before the Climate Change Commission is established
9. agree to establish an Interim Climate Change Committee to prepare evidence and analysis on priority matters to be provided to the Climate Change Commission when it is established
10. note the intention for the Climate Change Commission to provide recommendations to Government on priority matters such as the role of agriculture in climate change policy and the transition to 100 per cent renewable electricity
11. invite the Minister for Climate Change to report back to Cabinet by 28 February 2018 on the terms of reference for the Interim Climate Change Committee

New Zealand Emissions Trading Scheme

12. note that on 10 July 2017 Cabinet made in-principle decisions to improve the New Zealand Emissions Trading Scheme [CAB 17-MIN-0369]
13. note the Minister for Climate Change intends that changes to the New Zealand Emissions Trading Scheme through a Climate Change Response Amendment Bill be made by the end of 2019

Climate Change Chief Executive Board

14. invite the Minister of Climate Change and the Minister of State Services to report back to Cabinet by 28 February 2018 on the terms of reference for a climate change chief executive board

Climate Change Impact Analysis

15. invite Ministers of the Crown and government departments to consider impacts on climate change when developing policy proposals
16. invite the Minister for Climate Change to report back to Cabinet by 15 December 2018 on options for introducing climate change impact assessment

Ministerial meetings on climate change

17. authorise the Minister for Climate Change to establish a group of Ministers holding relevant portfolios such as Environment, Energy & Resources, Forestry, Agriculture and Transport to meet regularly on climate change

Financial implications

18. approve the following changes to appropriations to give effect to the policy decision in **recommendation 1** above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
Vote Environment Minister for Climate Change	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Multi-Category Expenses and Capital Expenditure: Climate Change MCA Departmental Output Expenses: Domestic Climate Change Programme Policy Advice (funded by revenue Crown)	0.460	0.180	-	-	-

19. approve the following changes to appropriations to give effect to the policy decision in **recommendation 9** above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
Vote Environment Minister for Climate Change	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Multi-Category Expenses and Capital Expenditure: Climate Change MCA Departmental Output Expenses: Domestic Climate Change Programme Policy Advice (funded by revenue Crown)	0.774	2.841	-	-	-

20. agree that the expenses incurred under recommendations 18 and 19 above be managed against the operating and capital spending set out for the 100 Day Plan in the Fiscal Plan and reflected in the Half-Year Economic and Fiscal Update
21. agree that the proposed changes in recommendations 18 and 19 above to appropriations for 2017/18 be included in the 2017/18 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
22. note that the Fiscal Plan, consistent with the Budget Responsibility Rules, will ensure that the Government is delivering a sustainable operating surplus across an economic cycle and reducing the level of net core Crown debt to 20% of GDP within the next five years
23. invite the Minister for Climate Change to report back to Cabinet on the cost and benefits of policies to meet a new 2050 greenhouse gas emissions reduction target, and fiscal implications of legislating a target, when seeking policy agreement by 31 August 2018
24. note that policy development for the Zero Carbon Bill, Climate Change Chief Executive Board will be absorbed within existing Vote Environment baselines
25. note that some funding for the Secretariat for the Interim Climate Change Committee will be absorbed within existing agency (Ministry for the Environment, Ministry of Business, Innovation and Employment and Ministry for Primary Industries) baselines
26. note that if additional funding is required to fund ongoing expenses related to the Zero Carbon Bill, it will be sought through Budget 2019

Publicity

27. agree that the Minister for Climate Change Issues may make announcements on the intent, process and potential timing for a Zero Carbon Bill and an Interim Climate Change Committee following Cabinet agreement
28. agree that this paper be published on the Ministry for the Environment website following Cabinet agreement

Authorised for lodgement
Hon James Shaw
Minister for Climate Change