

In-Confidence

Office of the Minister of Climate Change

Chair, Cabinet Business Committee

Public consultation on the emissions reduction plan: transitioning to a low-emissions and climate-resilient future

Proposal

1. I seek approval to release the discussion document, *Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future* (appendix 1), for public consultation between 25 August and 3 October 2021.
2. The discussion document seeks public feedback on a range of options to inform the first emission reduction plan including: meeting our domestic emissions reduction target (2050 target), mitigating the impacts of the transition and policies to reduce emissions from key sectors of the economy.
3. I will seek separate decisions on New Zealand's Nationally Determined Contribution for 2021-2030 (NDC1) and whether to accept or recommend departure from the Climate Change Commission's (the Commission) recommended emissions budgets.

Relation to government priorities

4. The Government declared a climate change emergency on 2 December 2020. In considering this declaration, the Cabinet Business Committee agreed that climate change "demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge" [CBC-20-MIN-0097 refers].
5. Enabling a just transition to a low-emissions, climate resilient future is also a Government priority. This was emphasised by the 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].
6. The emissions reduction plan will also deliver on the Labour and Green Parties' agreement to achieve the purpose and goals of the Climate Change Response Act 2002.

Executive Summary

7. I seek approval to release a public discussion document on policy proposals for inclusion in New Zealand's first emission reduction plan for feedback between 25 August and 3 October 2021. The discussion document summarises the package of policies proposed for inclusion in the emissions reduction plan, including any new and proposed policies to reduce greenhouse gas emissions.
8. This consultation will provide an opportunity for the public to see how emissions reduction policies will come together to create New Zealand's first emissions reduction plan. Consultation will enable the policies to be tested with the public, and for policies to be strengthened in response to feedback.
9. Public consultation is required on the emissions reduction plan if there has been inadequate consultation on the direction of policy by the Commission, or if the proposed plan departs from, or is more specific than, the direction of policy advised by the Commission. As the Commission has only advised on the direction of policy, the proposed plan is more specific than the Commission's advice. In addition, consultation with Māori is required to identify, understand, and address the impacts of the plan on Māori.
10. The emission reduction plan discussion document has been jointly developed with agencies leading the development of policies which will form part of the emissions reduction plan.¹
11. The Climate Change Response Act 2002 requires the Government to publish its first emissions reduction plan by 31 December 2021.²
12. On 31 May 2021, the Commission provided its final report - Ināia tonu nei: a low emissions future for Aotearoa, on the policy direction for the first emissions reduction plan. The Government's decisions on the detailed design and implementation of policies will be informed by the recommendations provided by the Commission.
13. Decisions on the emissions reduction plan will determine how New Zealand progresses the transformational changes needed in key sectors and ensures the transition to a climate resilient and low-emissions economy is fair, inclusive, and equitable.
14. The first emissions reduction plan is still under development and the estimated impacts of the policies currently quantified are preliminary, incomplete and fall short of the reductions likely to be required in the first budget period. More action is also needed to put us on path to meet the second and third emissions budgets. Ministers and officials are actively working on additional measures for inclusion in the final plan. The emissions reduction plan can be further enhanced and amended over its lifetime.

¹ Agencies will lead development of policies under their respective portfolios for example, the Ministry of Transport on low-emission transport policies.

² Climate Change Response Act 2002, sections 5X (3), 5ZB, 5ZI

15. Decisions under the first emissions reduction plan will send policy signals to New Zealand businesses, industry, and households to provide greater confidence in the country's long-term economic pathway. This will be essential to spur the level of investment, innovation and behaviour change required for our transition.
16. Strong commitment and drive from businesses and community leaders, in particular iwi, hapū and local government leaders, is critical to our success in meeting the emissions reductions required under the first emission budget period and beyond. The discussion document seeks feedback on what support the private sector needs and how Government can address key barriers to enable further private sector mitigation action.
17. The discussion document is seeking feedback on a wide range of high-level feasible options for some policies and regulatory proposals, and these may change following consultation. Many of these proposals have quantified estimates of potential emissions reductions but a portion will be quantified at a later point. Any substantive amendments following consultation will be brought back to Cabinet for approval.
18. The Ministry for the Environment is coordinating public consultation with support from other agencies.³ Agencies will also carry out more targeted engagement on their policies and programmes with interested parties during the consultation period.
19. Agencies intend to reach a wide range of New Zealanders through formal public consultation that will take the form of:
 - a. an emission reduction plan webpage, linked to the Ministry for the Environment's website which provides background information and links to the work of participating agencies
 - b. an invitation for formal submissions and a survey of questions from the discussion document
 - c. targeted engagement with Māori, iwi and hapū to expand on the key themes identified through the Commission's public consultation
 - d. targeted engagement with Pasifika, via a newly established Pasifika Talanoa Advisory Group, and in collaboration with Ministry of Foreign Affairs and Trade, and Ministry for Pacific Peoples
 - e. a series of webinars to further explain what the emissions reduction plan is and provide the opportunity for stakeholders to ask questions
 - f. a series of in-person events in key centres: Auckland, Hamilton, Taranaki, Hawke's Bay, Wellington, Christchurch, the West Coast and Southland

³ Agencies include: Ministry for the Environment, Ministry of Business, Innovation and Employment, Ministry of Transport, Ministry for Primary Industries, Ministry of Social Development, Te Tuapara Kura Kainga, Te Puni Kōkiri

- g. a partnership with The Hive, a youth-led organisation, to consult with young people via social media and in-person events
- h. engaging with children aged 8 – 12 via an invitation to school teachers to participate in a postcard campaign
- i. attendance at relevant conferences during the consultation period, including Taituarā conference and Climate Futures Experience 2030 (CFX2030).

Background

The Zero Carbon framework introduced requirements for emissions budgets and emissions reduction plans

- 20. In late 2019, Parliament unanimously passed the Climate Change Response (Zero Carbon) Amendment Act. This amended the Climate Change Response Act 2002 (CCRA) and introduced the Zero Carbon framework, which – in addition to domestic emissions reduction targets for 2030 and 2050 – included:
 - a. a framework of emissions budgets (or interim targets) that step progressively towards our long-term emissions reduction targets
 - b. a requirement for emissions reduction plans that set out the policies and strategies needed to achieve the emissions budgets.
- 21. The zero carbon amendments to the CCRA also established the Commission, which is tasked with providing independent expert advice to the government on climate change matters and monitoring progress towards the government's mitigation and adaptation goals.
- 22. On 31 January 2021, the Commission released its draft advice for consultation on the first three emissions budgets and the first emissions reduction plan. Consultation took place from 1 February to 28 March 2021, with over 15,000 written submissions received.⁴ The Government received the Commission's final advice on 31 May 2021.
- 23. The CCRA requires Government to respond to the Commission's advice by publishing an emissions reduction plan by 31 December 2021 that will set out the policies and strategies needed to achieve the emissions reductions and removals needed to meet the first emissions budget (2022-2025). The emissions reduction plan may also include policies and strategies for meeting the second (2026-2030) and third emissions budgets (2031-2035).

Consulting on the emissions reduction plan will ensure we meet the statutory requirements and bring New Zealanders along with us

- 24. The CCRA requires the emissions reduction plan to contain:⁵

⁴ The Commission received 14,463 individual submissions, 901 submissions from organisations, 40 submissions from Iwi/Māori organisations. The Commission's consultation period was extended by an additional two weeks – from 1 February – 16 March 2021 to 28 March 2021.

⁵ Climate Change Response Act 2002, sections 5ZG (3)

- a. “sector-specific policies to reduce emissions and increase removals (i.e., across agriculture, forestry, transport, building and construction, waste, and energy and industry)
 - b. a multi-sector strategy to meet emissions budgets and improve the ability of those sectors to adapt to the effects of climate change
 - c. a strategy to mitigate the impacts on employees and employers, regions, iwi and Māori, and wider communities, including the funding for any mitigation action
 - d. any other policies or strategies that the Minister of Climate Change considers necessary.”
25. Decisions on the emissions reduction plan will require several statutory requirements to be satisfied. Under the CCRA, when preparing the emissions reduction plan the Minister must (among other things):
- consider the Commission’s advice on meeting emissions budgets⁶
 - ensure consultation on the emissions reduction plan has been adequate, including with sector representatives, affected communities, and iwi and Māori, and undertake further consultation as the Minister considers necessary.⁷
26. The CCRA requires consultation with the general public on the emissions reduction plan if:
- a. there has been inadequate consultation on the direction of policy by the Climate Change Commission (noting that the CCRA specifies particular groups the Commission should have consulted with); or
 - b. the emissions reduction plan departs from, or is more specific than, the direction of policy advised by the Climate Change Commission.
27. As the Commission only consulted on the direction of policies in the emissions reduction plan and not the detailed design of policies, further public consultation is required.
28. In assessing the adequacy of consultation, engagement prior to public consultation can be considered. This includes engagement undertaken by agencies on specific policies and strategies and early engagement with key stakeholders and Māori, led by the Ministry for the Environment. I can also consider the Commission’s consultation on its report, although the Commission provided advice on the policy direction in the emissions reduction plan and not the detail of policies.
29. It is also critical that we empower New Zealand and bring New Zealanders along on our transition. We must ensure that all sectors are informed of the challenges ahead, given the opportunity to shape policy development and that there is adequate buy-in to provide the momentum needed to meet the 2050 targets.

⁶ Climate Change Response Act 2002, section 5ZI(1)(a)

⁷ Climate Change Response Act 2002, section 5ZI(1)(b).

30. Note that several policies proposed for inclusion in the emissions reduction plan have already been consulted on or will be separately consulted on.⁸
31. The Commission also recommended that the Government commits to developing an Equitable Transitions Strategy that aims to deliver a well-signalled and inclusive transition, so it maximises opportunities, and minimises disruption and inequities. The discussion document signals support for the development of this strategy and seeks input on how best to give effect to the objectives of the strategy proposed by the Commission (i.e., partnership with iwi/Māori, proactive transition planning, strengthening a nimble and responsive education system, supporting workers in transition, and better considering distributional impacts in policy design).
32. The discussion document adopts the Commission's language of "equitable transition" rather than "just transition". I understand this was a deliberate choice aimed at fostering wide support and avoiding preconceptions of the content of the strategy. The consultation material could be changed to align with the just transition terminology if Ministers wish.

Analysis

Consultation on the emissions reduction plan

33. Engagement on the emission reduction plan is broken into two phases:
 - a. engagement ahead of public consultation
 - b. formal public consultation on the emissions reduction plan (25 August – 3 October 2021).
34. Prior to consultation on the emission reduction plan, officials have engaged with Māori, iwi, hapū, Pacific peoples, business and industry, local government, non-governmental organisations, and youth. The purpose of this engagement was to inform these significantly interested and affected groups of the process for developing the emissions reduction plan.
35. Throughout public consultation, engagement will target communications with the most significantly affected communities such as Māori, iwi, hapū, Pacific peoples, disabled and elderly people, and low-income households, but also significantly affected regions, such as Taranaki and the West Coast.
36. Pre-consultation engagement feedback strongly recommended consultation that is accessible and reaches diverse communities. The discussion document has been kept short and provides links to further detail for interested individuals. The following events have been amended to ensure that consultation meets pre-consultation feedback, this includes:
 - a. each key centre will have at least two events: a public town-hall style meeting and a workshop session with key stakeholders. Workshops will be coordinated in partnership with a local organisation or iwi

⁸ For example, Ministry of Transport consulted on policies and measures to decarbonise the transport system through Hikina Te Kohupara from 14 May to 25 June 2021.

- b. in-person events will be supported by the ability to join online for those who are unable to travel to a main centre
 - c. where possible there will be smaller side events in each key centre with a community organisation or school
 - d. we will work with the Office of Disability Issues to design a small number of accessible workshops with the disabled community.
37. The content for the consultation programme will be a high-level overview based on the discussion document for public events and tailored for stakeholders in the workshops.
38. There will be opportunities for Ministerial involvement at these events.

What are we consulting on?

39. We are consulting on the package of policies and strategies that may be included in the emissions reduction plan to achieve the emissions reductions and removals needed to meet the first emissions budget (2022-2025) and foundational policies to meet reductions in future emissions budgets.
40. The discussion document is a summary of the key emissions reduction plan content and follows the same basic chapter structure as the emissions reduction plan. This will help submitters see how their feedback has been addressed in the final emissions reduction plan.
41. The discussion document broadly covers the following areas:
- a. Meeting our domestic emissions reduction targets (2050 targets) and mitigating the impacts of the transition
 - b. Policies to align system settings and use cross-sector tools
 - c. Policies to reduce emissions from the key sectors of New Zealand's economy.

Risks

42. A large volume of submissions is anticipated given the significant public interest this consultation. To be able to deliver to statutory timeframes, analysis of submissions will need to take place over two weeks (4 – 18 October 2021).
43. Officials do not recommend condensing the timeframes for public consultation as anything less than six weeks is unlikely to be considered adequate consultation.
44. Risks relating to emissions budgets and whether the emissions budgets are ultimately met are addressed in the emissions budgets Cabinet paper lodged approximately at the same time as this paper.
45. Should amendments be required to the discussion document to reflect in-principle decisions by Cabinet on emissions budgets for 2022-2025, 2026-2030 and 2031-2035, I will work with the Minister for the Environment, the

Minister of Finance and the Prime Minister to agree to update the relevant parts of the discussion document.


Part I risk

46. In May 2021, Cabinet agreed “that the emissions reduction plan will form the basis of New Zealand’s long-term low emissions development strategy for the purposes of the Paris Agreement”. Cabinet further agreed “that the introduction to the emissions reduction plan (Part I) be completed by COP26 and submitted as the first part of New Zealand’s long-term low emissions development strategy, with detailed policies and strategies (Parts II, III and IV) to follow after the emissions reduction plan has been published in December 2021” [CBC-21-MIN-0044 refers].
47. The proposed timeframes minimise the ability to update Part I to reflect feedback received during consultation.
48. This could be mitigated by:
 - a. crafting Part I as a high-level overview (e.g., setting out our vision, national circumstances, current climate change response and the detailed policies and strategies to come) and shifting strategic detail into Part II, Chapter 1 (Transition Strategy and Pathway).
 - b. Ministerial consultation on Part I could be replaced by a Climate Response Ministers Group meeting in the week beginning 11 October 2021.

Financial Implications

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

s 9(2)(h)



Legislative Implications

52. This proposed consultation has no direct legislative implications.
53. Legislative and regulatory changes will be required to implement proposals contained within the final emission reduction plan. Drafting approval for

legislative amendments would be sought for these proposals through policy papers on specific policies.

54. Note that Lawyers for Climate Action New Zealand have lodged litigation against the Commission's final advice to Minister of Climate Change on the proposed emissions budgets and the NDC; on the grounds that it fails to comply with domestic law and New Zealand's obligations under the Paris Agreement.

s 9(2)(h)

Impact Analysis

Regulatory Impact Statement

57. The discussion document on the Emissions Reduction Plan is attached (refer appendix 1).
58. A Regulatory Impact Analysis panel with members from the Ministry for the Environment and the Treasury has reviewed and confirmed that the discussion document will lead to effective consultation at this stage in the process and support the eventual development of quality impact analysis to support Cabinet decisions on the Emissions Reduction Plan.
59. The framing of some proposals in the discussion document is at a high level, which may make it difficult to quantify the emission reductions that will result from some of the proposed policies. The analysis in the document has also identified a shortfall between the quantifiable emission reductions from the existing and proposed policies, and the in-principle targets for the first emissions budget. The proposals therefore have the potential to change following public consultation and confirmation of the first emissions budget by the government. The panel anticipates that further consultation is likely to be required, particularly if new proposals are developed in the next stage of the process.
60. Because there are specific proposals in the discussion document for the 'Phased prohibition of refrigerant-containing products and servicing options', an interim Regulatory Impact Statement is attached (refer appendix 2).
61. The Ministry for the Environment's Regulatory Impact Analysis Panel has reviewed the Impact Summary: Phased prohibition of refrigerant-containing products and servicing options, which will accompany the discussion

document upon release. The Panel confirms that the level of information provided meets the quality assessment criteria, for this stage of the process, and is likely to lead to effective consultation on the options canvassed in the Impact Summary. The consultation will provide information on options for the phase out of the sale of goods containing high-GWP HFCs and the complementary option of phasing out the use of high-GWP HFCs when servicing existing equipment. This will inform further policy development and allow for effective comparison between the options covered in the Impact Summary and alternative options for reducing emissions from refrigerants. It will also support the later delivery of a Regulatory Impact Assessment to inform subsequent decisions.

62. Following consultation, impact analysis will be provided in subsequent stages of the policy process to support Cabinet decisions on regulatory proposals to be included in the Emissions Reduction Plan.

Climate Implications of Policy Assessment

63. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply as there is no direct emissions impact at the consultation stage.
64. The emissions impact of individual policies within the emissions reduction plan will be disclosed to Cabinet as they are individually seek Cabinet approval and as final decisions are sought on the emissions reduction plan. These policy proposals will need to meet CIPA requirements.
65. The CIPA team at the Ministry for the Environment will work with officials developing proposals to assess the emissions impacts of policy proposals as they are advanced.

Population Implications

66. This paper has no population implications.
67. 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.

Te Tiriti o Waitangi

68. In its final advice to Government, the Commission identified that Māori, iwi and hapū are likely to be disproportionately impacted by the transition to a low emission and climate resilient economy more than others. Though support for strong climate action is high amongst Māori.
69. The Commission recommended that the Government work in partnership with Māori / iwi to develop a strategy that ensures the principles of Te Tiriti o Waitangi are embedded in emissions reductions plans.
70. The Commission further recommends that to ensure a just transition occurs, the broad advice is that strategies, policies, and decisions at all levels

regarding the climate change response and its impacts should be made in partnership with Māori and have the He Ara Waiora framework embedded into policy development.

71. Government will work with Māori, iwi and hapū to enable them to play a key role as drivers of Aotearoa's transition and ensure they are not disproportionately disadvantaged by climate change policies.
72. Māori have a significant stake in climate change action. Māori have a large economy and asset base sitting largely in the primary industries, as well as Treaty-based rights and interests in natural resource use and management. It will be critical when implementing final proposals to maintain Te Tiriti o Waitangi principles, including as provided by section 3A of the CCRA.
73. Targeted consultation has been planned with Māori to expand on the key themes identified through the Commission's public consultation and to address main concerns through policy measures. The emissions reduction plan will seek to identify distributional impacts, including on Māori, iwi and hapū, and how these can be mitigated.
74. Government agencies are working through a schedule of emission reduction plan webinars and workshops. This includes holding hui with Māori, iwi and hapū to discuss particular issues and opportunities of interest to Māori, including how we respond to the Commission's recommendation on building a Māori emissions profile and the distributional impacts strategy in the emissions reduction plan.

Human Rights

75. There are no inconsistencies between these proposals and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

76. Agencies consulted in the development of this paper were: the Treasury; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Ministry of Business, Innovation and Employment; Energy, Efficiency and Conservation Authority; Ministry of Social Development; Ministry of Transport; Te Tūāpapa Kura Kainga - Ministry of Housing and Urban Development; Department of Prime Minister and Cabinet; and Te Arawhiti. Feedback received from those agencies is reflected in this paper.

Communications

77. The Ministry for the Environment will undertake an information campaign to raise awareness of the emission reduction plan consultation and the issues and sectors it covers. This will consist of range of mediums and initiatives including digital media, social media, and industry champions. A strong Māori and Pacific peoples voice encouraging their communities to participate will also be included.

78. We intend to reach a wide range of New Zealanders through formal public consultation outlined in paragraph 19.
79. The attached discussion document (refer appendix 1) will be published on the Ministry for the Environment's website with appropriate context highlighting the nature of the consultation. Officials will email potentially interested parties to inform them of the consultation prior to the start of the consultation.
80. A summary of submissions will be prepared and published on the Ministry's website prior to the ERP being finalised.
81. Throughout the consultation period, communications will be targeted at the most significantly affected communities, such as Māori, iwi, hapū, Pacific peoples, disabled and elderly people and low-income households, but also significantly affected regions, including Taranaki and the West Coast.


Proactive Release

82. I propose that this paper is proactively released on the Ministry for the Environment's website after final decisions on the emission reduction plan have been made, subject to redactions in keeping with the principles of the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1. **note** that the emissions reduction plan must set out the policies and strategies to achieve the emissions reductions and removals needed to meet the first emissions budget (2022-2025), and that it may also include policies and strategies for meeting the second (2026-2030) and third emissions budgets (2031-2035).
2. **note** that Cabinet agreed that the introduction (Part 1) of the emissions reduction plan will form the basis of New Zealand's long-term low emissions development strategy for the purposes of the Paris Agreement and Cabinet further agreed that the introduction be completed and submitted by COP26
3. **note** that the proposed timeframes minimise the ability to update Part I in response to consultation
4. **note** that officials have already engaged with a number of groups, as a way of seeking early feedback and communicating the process for developing the emissions reduction plan.
5. **note** that the Climate Change Response Act 2002 requires consultation on the emissions reduction plan to be adequate, including with sector representatives, affected communities, Māori and iwi, and for further consultation to be undertaken as the Minister of Climate Change considers necessary

6. **note** that, to ensure that consultation has been adequate, the package of policies that may be included in the emissions reduction plan will be the subject of consultation, including any new and proposed policies to reduce greenhouse gas emissions
7. **note** that when assessing the adequacy of consultation, the Commission's consultation and engagement already undertaken on specific policies and strategies that will form part of the emissions reduction plan will also be considered
8. **note** that Lawyers for Climate Action New Zealand have lodged a judicial review of the Commission's final advice to Minister of Climate Change.
s 9(2)(h)

9. **note** that, following consultation, the Minister of Climate Change will seek final policy decisions to enable the emissions reduction plan to be Gazetted by 31 December 2021
10. **note** that the Minister of Climate Change will seek separate decisions on NDC1, and whether to accept the Commission's recommended emissions budgets
11. **note** that the discussion document signals broad support for the development of an equitable transition strategy
12. **agree** to release the discussion document *Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future* for public consultation between 25 August and 3 October 2021

Agree / Disagree
13. **agree** to allow the Minister of Climate Change to make minor design, editorial and technical changes to the discussion document as needed.

Agree / Disagree
14. **agree** to allow the Minister of Climate Change to update relevant parts of the discussion document to reflect in-principle decisions by Cabinet on emissions budgets as required, following agreement with the Minister for the Environment, Minister of Finance and Prime Minister.

Agree / Disagree
15. **agree** that the consultation material refer to either an equitable transition or a just transition.

Agree Equitable Transition / Agree Just Transition

Authorised for lodgement

Hon James Shaw

Minister of Climate Change

Proactively released