



# Cabinet

## Minute of Decision

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### Emissions Budgets for 2022-2025, 2026-2030 and 2031-2035

Portfolio **Climate Change**

On 23 August 2021, following reference from the Cabinet Environment, Energy and Climate Committee, Cabinet:

- 1 **noted** that achieving the purpose and goals of the Zero Carbon Act 2019 (ie. the amendment that brought the setting of emissions budgets into the Climate Change Response Act 2002) is an agreed area of cooperation in the Labour Party and Green Party of Aotearoa New Zealand Cooperation Agreement;
- 2 **noted** there are a number of requirements and considerations in the Climate Change Response Act 2002 (CCRA) that must be met before New Zealand’s first set of emissions budgets can be formally decided and notified;
- 3 **noted** the first three emissions budgets must be set by 31 December 2021;
- 4 **noted** the Climate Change Commission (the Commission) has recommended a first set of emissions budgets for New Zealand as follows:

<b>Emissions Budget</b>	Emissions budget 1	Emissions budget 2	Emissions budget 3
<b>Period covered</b>	2022 – 2025	2026 – 2030	2031 – 2035
Net emissions of all greenhouse gases Expressed using GWP <sub>100</sub> values from the IPCC’s Fifth Assessment Report (AR5)	290 MtCO <sub>2</sub> -e	312 MtCO <sub>2</sub> -e	253 MtCO <sub>2</sub> -e

- 5 **noted** that the Commission has undertaken extensive analysis and consultation and recommended a set of emissions budgets that it considers strike the right balance between ambition and achievability;
- 6 **noted** that there is a process available under the CCRA for revising future emissions budgets, but once an emissions budget period has started that budget can only be revised in exceptional circumstances and only following a recommendation by the Commission;
- 7 **noted** that officials have assessed the consultation process undertaken by the Commission with respect to its recommended emissions budgets as being adequate in terms of reasonable expectations and the statutory requirements of the CCRA;

- 8 **noted** the CCRA provides for up to one per cent of the next emissions budget to be borrowed to offset any shortfall;
- 9 **noted** there are other ways to manage the risks and uncertainties around meeting emissions budgets over time, including using NZ Emissions Trading Scheme settings to encourage emissions unit prices to rise, increasing direct government investment, early signalling of future regulation, strong partnerships with business and community leaders, and effective information and behaviour change programmes;
- 10 **noted** the ability for the government to deploy the measures referred to in paragraph 9 for the first emissions budget period are more constrained than future periods because of the long lead-in times before new policies start to take effect and have significant impacts;
- 11 **noted** the CCRA allows the Minister to set emissions budgets that are different from those recommended by the Commission;
- 12 **noted** that since the Commission reported on 31 May 2021, officials have revised government projections of emissions for forestry and agriculture;
- 13 **noted** that increased afforestation initially increases carbon emissions but over time forest growth leads to significant net removals of carbon emissions;
- 14 **noted** that the revised forestry projections are mainly the result of a recent survey of forestry intentions, which is new information from external sources that was not available to the Commission when it prepared its advice and can be distinguished from the revised agriculture projections that are more related to new assessments by officials rather than new information per se;
- 15 **noted** that the new forestry projections are expected to result in the following changes in emissions over the first three emissions budget periods:

<b>Emissions Budget</b>	Emissions budget 1	Emissions budget 2	Emissions budget 3
<b>Period covered</b>	2022 – 2025	2026 – 2030	2031 – 2035
Change in projected net emissions following the 2021 Afforestation and Deforestation Intentions report	+ 1.5 MtCO <sub>2</sub> -e	- 5.0 MtCO <sub>2</sub> -e	- 10.7 MtCO <sub>2</sub> -e

- 16 **noted** the CCRA requires the government to put in place an emissions reduction plan setting out the policies and strategies for emissions reductions and removals to achieve emission budgets;
- 17 **noted** the first emissions reduction plan is still under development and Ministers and officials are actively working on additional measures as the estimated impacts of policies currently proposed fall short of the reductions likely to be required in the first budget period;
- 18 **noted** that there are significant measurement uncertainties around the estimates of emissions reductions required, and baseline projections are frequently revised;
- 19 **noted** that the emissions reduction plan can also be further enhanced and amended over its lifetime;
- 20 **agreed** that the emissions reduction plan should be closely monitored and tightly managed to ensure it makes the necessary progress towards meeting the budgets;

- 21 **agreed** that strong governance and accountability mechanisms are needed to ensure that any corrective action needed to keep the emissions reduction plan on track can be taken with high priority and urgency;
- 22 **noted** that the Minister of Climate Change will seek decisions on the governance of and accountability for the implementation of the emissions reduction plan alongside decisions on the content of the plan late in 2021;

s 9(2)(f)(iv)



- 26 **noted** that the government is not yet in a position to make a final decision on emissions budgets as further detailed work is still required to completely address all the legal requirements, assess the risks and uncertainties in more depth, and complete official’s review of the Commission’s published advice and underlying analysis and supporting documentation;
- 27 **agreed** that it is timely to take a decision in principle on emissions budgets now, as this will help clarify the government’s intentions for forthcoming consultation over the contents of the emissions reduction plan;
- 28 **agreed** in principle to a departure from the Commission’s recommended emissions budgets to take account of the revised forestry projections resulting from new information, as follows (rounded up to the nearest megatonne of carbon dioxide equivalent):

<b>Emissions Budget</b> <b>Period covered</b>	Emissions budget 1 2022 – 2025	Emissions budget 2 2026 – 2030	Emissions budget 3 2031 – 2035
Net emissions of all greenhouse gases Expressed using GWP 100 values from the IPCC’s Fifth Assessment Report (AR5)	292 MtCO <sub>2</sub> -e	307 MtCO <sub>2</sub> -e	242 MtCO <sub>2</sub> -e

- 29 **noted** that at the same time as it sets and notifies the emissions budgets, the government must also provide a written response to the Commission’s advice related to emissions budgets, including its recommendations on:

- 29.1 the rules that will apply to measure progress towards meeting emissions budgets;
- 29.2 the appropriate limit on offshore mitigation that may be used to meet an emissions budget, and an explanation of the circumstances that justify the use of offshore mitigation;

s 9(2)(f)(iv)

- 32 **directed** officials to report back by 31 October 2021 with final recommendations on setting emissions budgets and responding to the Commission's advice related to emissions budgets, including final advice on meeting the requirements of the CCRA under sections 5ZB and 5ZC.

Michael Webster  
Secretary of the Cabinet

*Secretary's Note: This minute replaces ENV-21-MIN-0045. Cabinet added new paragraphs 11 – 15 and a new paragraph 28.*

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