



# First draft of Cabinet paper - Proposed Consultation on industrial allocation policy

Date Submitted:	Thursday 27 May 2021	Tracking #: BRF-130	
Security Level	Policy and Privacy In-Confidence	MfE Priority:	Urgent

	<b>Action sought:</b>	<b>Response by:</b>
Hon James SHAW, Minister of Climate Change	Provide feedback on draft Cabinet paper and discussion document	Monday 31 May 2021

Actions for Minister's Office Staff	Return the signed report to MfE.
Number of appendices and attachments #2	<ol style="list-style-type: none"> <li>Draft Cabinet paper: Approval to consult on proposals from the review of industrial allocation policy</li> <li>Draft discussion document: Review of industrial allocation</li> </ol>

## Ministry for the Environment contacts

Position	Name	Cell phone	1st contact
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Director	Lisa Daniell	s 9(2)(a)	

# First draft of Cabinet paper - Proposed Consultation on industrial allocation policy

1. This briefing provides a draft Cabinet paper and discussion document on proposals to address issues with industrial allocation in the New Zealand Emissions Trading Scheme (NZ ETS) for your review and feedback.

## **Advice on industrial allocation proposals**

2. The discussion document focuses on the primary scope of the review changes to current industrial allocation settings to deal with over-allocation. The recommended proposals are:
  - a. reassessment of eligibility for all currently eligible activities using up-to-date data
  - b. updating allocative baselines using up-to-date data.
3. An independent Technical Advisory Group (TAG) of industry, economic and climate policy experts have provided input into the review process, reviewed the discussion document and endorsed the two main proposals.
4. The discussion document also looks at the secondary scope of the review, which is intended to begin a discussion with the public on longer term changes to industrial allocation policy and alternative policies.

## **Proposed timeline and next step**

5. Your next step is to read the attached Cabinet paper and discussion document and provide any feedback by Monday 31 May. Officials will be able to discuss the issues at your meeting with M E officials that day.
6. The Cabinet paper seeks approval to release the discussion document to begin public consultation on options to reduce the risk of emissions leakage, address over-allocation, and ensure industrial allocation policy is aligned with New Zealand's climate change commitments.
7. Review by the Regulatory Impact Assessment Panel will occur over the Ministerial consultation phase and final edits made including final formatting before publication.
8. This consultation will run concurrently with the consultation on market governance from early July to mid-September.



9. The process for this Cabinet paper is set out in the following table:

Date	Step
Monday 31 May	Your feedback to be provided to officials and discussion at your meeting with MfE officials (if requested)
Thursday 3 June	Officials will provide you with a revised version of the Cabinet paper and discussion document
Tuesday 8 June	Feedback from you and your office to be provided to officials for incorporation into the final draft prior to Ministerial consultation
Tuesday 8 to Tuesday 22 June	Ministerial consultation
Wednesday 23 June	Officials will provide you with a final version of the Cabinet paper
Thursday 24 June	Lodgement
Thursday 1 July	Cabinet Environment, Energy and Climate Change Committee (ENV) consideration
Monday 5 July	Cabinet consideration
Thursday 8 July to Friday 17 September	Proposed publication of discussion document and start of ten-week consultation period

## Recommendations

We recommend that you:

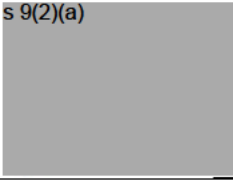
- a. **Provide** feedback on the attached draft Cabinet paper and discussion document by 31 May 2021.
- b. **Discuss** your feedback with officials on Monday, 31 May 2021.
- c. **Note** that formatting and RIAP assessment will occur concurrently with Ministerial consultation.
- d. **Note** that this consultation will run in parallel to the consultation on market governance in the NZ ETS.
- e. **Agree** that this briefing and appendices will be released proactively on the Ministry for the Environment's website once consultation has begun.

Yes/No

Yes/No



## Signature

Lisa Daniell	s 9(2)(a) 
Director - Climate Mitigation	
Climate Change Directorate	

Hon James SHAW, Minister of Climate Change	
Date	

Proactively released



## **Appendix 1 – Draft Cabinet paper: Approval to consult on proposals from the review of industrial allocation policy**

Proactively released



## **Appendix 2 – Draft discussion document: Reform of industrial allocation policy for a low emissions New Zealand**

Proactively released