



# Cabinet

CAB Min (02) 26/18

## Minute of Decision

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Convenor, Ministerial Group on Climate Change

**Copies to:**

Prime Minister	Minister of Research, Science and Technology
Deputy Prime Minister	Minister of Energy
Minister of Finance	Minister of Maori Affairs
Hon Jim Anderton	Minister of Defence
Minister for Economic Development	Minister of Transport
Minister of Social Services and Employment (MSD)	Minister for Small Business
Minister of Foreign Affairs and Trade	Minister for the Environment
Minister of Justice	Minister of Statistics
Minister of Health	Minister of Local Government
Minister of Agriculture	Minister of Conservation
Minister of Forestry	Minister of Consumer Affairs
Minister of State Services	Controller and Auditor-General
Minister of Education	Chief Parliamentary Counsel
Minister of Fisheries	Legislation Coordinator
	Secretary, POL

### Climate Change III: Work Programme, Budget and Institution for Climate Change Project

On 7 October 2002, following reference from the Cabinet Policy Committee, Cabinet:

- 1 **directed** officials to report to the Cabinet Policy Committee (POL) by 30 November 2002 on:
  - 1.1 the institutional arrangements for the Climate Change Project and climate change policies such as Projects and Negotiated Greenhouse Agreements (NGAs);
  - 1.2 final competitiveness-at-risk criteria for determining whether a firm is eligible to negotiate an NGA and the process for this;
  - 1.3 a work programme to develop and implement a carbon charge and revenue recycling policy (this will be a joint report back by Treasury, Inland Revenue Department and Climate Change Project officials);
- 2 **directed** officials to report to POL by 28 February 2003 on:
  - 2.1 the details of the NGA policy, including final NGA model, a standard process for negotiating NGAs and a legislative framework for NGAs;

- 2.2 the details of the Projects policy, including a process for Projects and necessary legislation for Projects;
  - 2.3 progress with industry on proposals for managing and reducing synthetic gas emissions;
  - 2.4 recommendations on the Government role in climate change business opportunities and options for improved co-ordination of private and public sector initiatives at both industry and firm levels;
- 3 **directed** officials to report back to POL by 31 March 2003 on:
- 3.1 a proposed research strategy for agricultural emissions, including funding needed for research, the mechanisms for funding, research ownership, Government contribution to the funding and governance arrangements for implementing the research;
  - 3.2 any additional policies for small and medium sized businesses;
  - 3.3 a review of New Zealand's current carbon monitoring programmes, capability and information against likely future needs following ratification of the Kyoto Protocol;
  - 3.4 the review referred to in paragraph 3.3 above should identify, prioritise and cost areas that should be addressed and include options for on-going funding and management of a New Zealand carbon monitoring programme that will meet New Zealand's needs and obligations under the UNFCCC and its Kyoto Protocol;
  - 3.5 mechanisms to incentivise forest sinks, including:
    - 3.5.1 possible generic initiatives relating to sinks that would improve the returns from forestry and lead to positive climate change outcomes;
    - 3.5.2 options to establish additional forests on 'Kyoto compliant' Maori land, through a joint venture investment approach;
    - 3.5.3 details of a mechanism in which landowners receive returns in proportion to the carbon sequestered in a regenerating forest where the landowner covenants that forest for permanent protection;
    - 3.5.4 options for encouraging the voluntary retirement of land for permanent protection forests including a preferred option as appropriate;
- 4 **directed** officials to report back to POL by 30 June 2003 on:
- 4.1 options for improving planning by councils for adaptation to impacts of climate change;
  - 4.2 a model Projects agreement, including payment schedules, monitoring, timing and penalties for non compliance;

- 4.3 overall progress on climate change policy, including the Local Government partnership, implementation of the education strategy, the adaptation programme and any other relevant policy development;

**Institutional arrangements**

**5 agreed:**

- 5.1 to the establishment of a climate change “office” by the beginning of 2003 that will operate in an existing department with a separate identity from that department;
- 5.2 that the office will have responsibility to the Convenor of the Ministerial Group on Climate Change who will have delegated authority for that portion of the departmental vote dedicated to climate change, and will have clear lines of accountability to the CEO of its host department;

- 6 **directed** officials to report to POL by 30 October 2002 on the location of the new “office” following the assessment of a ... .. proposal to be the host department;

**Financial implications**

- 7 **approved** the following changes to appropriations to fund the Climate Change project and implementation of climate change policy, with a corresponding impact on the Government’s operating provisions:

	\$m – increase/(decrease)					
	2002/03	2003/04	2004/05	2005/06	Outyears	GST
<b>Vote Prime Minister and Cabinet</b> Departmental Output Class: Policy Advice and Secretariat and Co-ordination Services <i>(funded by revenue Crown)</i>	5.524	–	–	–	–	Incl.
<b>Vote Energy</b> Departmental Output Class: Policy Advice on Energy and Resource Issues <i>(funded by revenue Crown)</i>	(0.100)	–	–	–	–	Incl.
<b>Vote Environment</b> Departmental Output Class: Environmental Policy Advice <i>(funded by revenue Crown)</i>	(1.294)	–	–	–	–	Incl.
<b>Total Operating Impact</b>	<b>4.130</b>	–	–	–	–	

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8.1 .....;

8.2 .....

- 8.3 ... .. ;
- 9 **noted** that at the funding levels set out in paragraph 7 above, additional funding for the 2002/03 financial year would not need to be sought, should the new “office” in paragraphs 5 and 6 be located in the ... .. ;
- 10 **noted** that the fiscal implications of the policy package for 2003/04 and outyears will be considered as part of the 2003 Budget, once further work has been done to refine the policy measures;
- 11 **agreed** to incorporate the changes in the appropriations into the 2002/03 Supplementary Estimates and, until these are enacted, approve the expenditure under Imprest Supply;
- 12 **noted** that an appropriation of \$0.600 million (GST inclusive) was transferred from 2001/02 to 2002/03 in Vote Prime Minister and Cabinet in the 2002 Budget;
- 13 **noted** that the costs of staff currently seconded to the Climate Change Project from MfE, MED, MAF and Treasury, including any overhead portion, will need to be reassessed for the period 1 January – 30 June 2003 once the institutional arrangements of the climate change “office” have been clarified, and this may result in adjustments to the fiscally neutral transfers identified in paragraph 7;
- 14 **noted** that in immediate outyears there are projected to be considerable increases in necessary funding levels, both for the Climate Change Project and for programmes that will remain the responsibility of other departments, as climate change policies and enhanced national systems for the emissions inventory and units registry are fully implemented, and that the current work programme includes developing the funding levels for consideration in next year’s budget round;

**Consultation**

- 15 **noted** the advice of the Convenor, Ministerial Group on Climate Change that this issue will be the subject of consultation with other parties represented in Parliament.

Secretary of the Cabinet

Reference: CAB (02) 396; POL Min (02) 15/7