



Climate Change Chief Executives Board

Meeting papers

Friday 10 May 2024

3:00–4:00pm



Karakia

Karakia timatatanga: opening

Tuia i runga

Unite above

Tuia i raro

Unite below

Tuia i roto

Unite without

Tuia i waho

Unite within

Tuia i te here tangata

Listen to the night

Ka rongo te pō

Listen to the world

Ka rongo te ao

Now we come together

Haumi ē, Hui ē, Tāiki ē

As one.

Karakia whakakapi: closing

Kia whakairia te tapu

Restrictions are moved aside

Kia wātea ai te ara

So the pathway is clear

Kia turuki whakataha ai

To return to everyday activities.

Haumi ē, hui ē, tāiki ē

Climate Change Chief Executives Board

AGENDA

Friday 10 May, 3:00-4:00pm

Online via MS Teams

Attendees	Caralee McLiesh, Acting Chair (TSY), Audrey Sonerson (MoT), Carolyn Tremain (MBIE), Ray Smith (MPI), Aaron Martin (CL), Victoria Hallum (MFAT), Anne Haira (MfE delegate), Jenna Rogers (NEMA delegate)
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In support	Lisa Daniell, Jane White, Amy Tisdall, Rachael Church (Climate IEB Unit) Sam Buckle, Hemi Smiler, Katherine Wilson (MfE)
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Apologies	Dave Gawn (NEMA), James Palmer (MfE), Paul James (DIA), Penny Nelson (DoC)
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Previous meeting: 3 April 2024	Current meeting: 10 May 2024	Next meeting: 14 June 2024
<ul style="list-style-type: none"> • CPMG debrief • External engagement: <ul style="list-style-type: none"> – Reserve Bank of NZ – Climate Business Advisory Group 	<ul style="list-style-type: none"> • Adaptation Framework oral update • Review and positioning of material for CPMG meeting on 20 May 	<ul style="list-style-type: none"> • Climate Data Initiative update • ERP2 update • Adaptation Framework

#	Time	Item	Recommended actions
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Welcome / karakia timatanga

1	10 mins	Adaptation Framework oral update Lead: Katherine Wilson (MfE) <ul style="list-style-type: none"> • Update on public announcement of the Adaptation Framework, and the motion in the House to initiate the Finance and Expenditure inquiry on adaptation. • Update on the Independent Reference Group and cross-agency input to the policy development process. 	Note you will receive a paper on the Adaptation Framework for your 14 June meeting.
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2	45 mins	Review and positioning of material for CPMG Lead: Chair / Lisa Daniell (CCIEB Unit) and Sam Buckle (MfE) <p>The next CPMG meeting is scheduled for Monday 20 May at 7:30pm. The two substantive items are:</p> <ol style="list-style-type: none"> 1. Agreeing to the climate vision/approach 2. Agreeing to the key policy proposals to be included in the ERP2 discussion document. <p>Included for review and feedback are the draft CPMG agenda and meeting papers prior to those being finalised for the Minister of Climate Change on 13 May.</p> <p>The attached memo seeks the Board's feedback on the draft material for CPMG, with a particular focus on how to position the recent interim emissions projections for Ministers in the Board's quarterly report (to be included as a noting paper only for CPMG).</p> <p>Supporting papers:</p> <ol style="list-style-type: none"> 2.1 <i>Memo to Board: Draft CPMG meeting material</i> 2.2 <i>Draft CPMG agenda</i> 2.3 <i>Cabinet paper Establishing our approach to responding to climate change (includes one-page vision)</i> 2.4 <i>Developing ERP2</i> 2.5 <i>Climate Change Chief Executives Board Quarterly Report to CPMG, May 2024 (DRAFT)</i> 	<p>Note the following papers will be provided to CPMG on 20 May:</p> <ul style="list-style-type: none"> • Cabinet paper on "Climate Vision" and associated one-page vision; • Slides on process for developing ERP2, with appendix of key policies categorised per the climate vision, with an indication of what can and cannot be modelled; • The Board's quarterly report (for noting only), containing an update on progress across the Government's six priority climate areas and the new interim emissions projections. <p>Endorse the Board's quarterly report, which include the recent interim projections that demonstrate that achieving emissions budgets may be more challenging</p> <p>Discuss the interim projections and associated risks and how to position any Board advice for CPMG</p>
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			Discuss how to advise Ministers on the inclusion of projections in the discussion document.
Administration papers			
3	2 mins	Meeting administration Lead: Chair / Lisa Daniell (IEB Unit) <ul style="list-style-type: none">Minutes of previous meetings, held on 7 February, 28 February, 13 March, 3 April 2024 Supporting papers [refer separate Administration pack]: <i>3.1 Minutes of previous meetings</i>	Approve the minutes of the previous meetings Note: 7 February minutes can be found here , and the 28 February and 13 March minutes are in the 4-03 meeting pack.



Memo: Draft CPMG meeting material

To Climate Change Chief Executives Board
CC Climate Change Interagency DCEs
From Climate IEB Unit and MfE
Date 7 May 2024

Purpose

1. This memo seeks the Board's feedback on the draft material for CPMG meeting on 20 May, in particular, endorsement of the Board's quarterly report. The Quarterly Report is a noting paper at this stage. We would like your view on how to position any advice on the interim projections, including possible options for responding to those.

Material for CPMG

2. The Minister of Climate Change has confirmed he would like to take the following items to CPMG on 20 May and that the meeting should be 45 minutes covering:
 - Cabinet paper on "Climate Vision" (ahead of Committee and Cabinet). The development of the vision is being led primarily by the Minister's office with MfE, so a 'point in time' version has been provided;
 - Short paper on the process for developing ERP2 with appendix of key policies (developed by MfE), ahead of Committee and Cabinet consideration. The Minister wants the policies to be categorised as per the climate vision, with an indication of what is intended to be modelled for policy impact.
3. The Board's quarterly report (prepared by the IEB Unit working across agencies) would be a noting paper only, comprising an update on progress across the Government's six priority climate areas and new interim emissions projections.

Interim emissions projections and implications for ERP2

4. New interim emissions projections have been prepared to inform Ministerial decisions on ERP2 consultation. These projections are proposed to be included as part of the Board's quarterly report to CPMG.
5. The interim projections use an alternative modelling approach compared to previous official projections from December 2023. They reflect updated inventory information and policy assumptions. There are limitations to the results, which are explained in detail on page 6 of the Board's draft quarterly report. Two key limitations to these results are that they do not model the Government's new policies that will likely form part of ERP2, or ETS supply and demand dynamics (which carry both upside and downside risks).
6. These interim projections suggest the ability to meet emissions budgets has become more challenging compared to the previous December modelling results. The headroom from the central projection for meeting EB1 has decreased (from 13MT to 2MT). The central estimates for EB2 and EB3 are above emissions budgets limits but still within the uncertainty bands of the modelling (see Table 1).



Table 1: Central estimates and uncertainty range across emissions budgets using 2023 projections and new interim projections

Emissions Budget (EB) levels – net, all gases	Central estimate and uncertainty range	
	2023 official projections (based on July 2023 settings and assumptions)	2024 interim projections (based on April 2024 settings and assumptions)
EB1 (2022-25) = 290 Mt	277 Mt (±7Mt)	288 Mt (±4Mt)
EB2 (2026-30) = 305 Mt	281 Mt (±15Mt)	311 Mt (±18Mt) <i>(Central estimate 6Mt above limit)</i>
EB3 (2031-35) = 240 Mt	233 Mt (±30Mt)	265 Mt (±28 Mt) <i>(Central estimate 25Mt above limit)</i>

- 7. s 9(2)(f)(iv)
- 8. The CPMG agenda intends to have a recommendation on the need for the ERP2 policy options to be modelled, where possible, to determine how far the options take us to achieving EB2. The Minister of Climate Change also intends to send a letter to Ministers following CPMG asking to meet with them to discuss how the policy modelling is progressing. The Minister has also asked that officials make themselves available to take Ministers through the interim projections in more detail.
- 9. s 9(2)(f)(iv)

Discussion

How do we position the interim projections / sufficiency advice for Ministers?

- 10. The Minister of Climate Change has specific responsibilities under section 5X of the CCRA to ‘ensure that net emissions do not exceed the emissions budget for the relevant emissions budget period’. Advice from Crown Law on these obligations (originally prepared re meeting EB1) is attached as Annex One. Further, section 5ZG of the CCRA requires that the Minister must prepare an emissions reduction plan setting out the policies and strategies for meeting the relevant emissions budget.
- 11. s 9(2)(g)(i)
- 12. s 9(2)(f)(iv)



s 9(2)(f)(iv)

[Redacted]

- 13. We seek direction on the Board's preferred approach to positioning this challenge and possible responses with Ministers (including if and how this should be positioned in the Board's quarterly report).
- 14. We consider there are two broad options that Ministers could take in response to these new projections:

Option for managing the risk	Advantages	Disadvantages
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s 9(2)(f)(iv)

[Redacted]

- 15. If option 1 or 2 are not enough to achieve EB2, s 9(2)(g)(i) [Redacted]

Should we advise Ministers to include the interim projections in the ERP discussion document?

- 16. For ERP1, the discussion document included a sufficiency analysis to inform the consultation process. Stakeholders will reasonably expect us to do similar for ERP2.
- 17. Ministers have a choice about what content to include in the discussion document. They could:
 - a. Include the new interim projections – advantage: more recent projections that include updated methodologies, inventory and policy settings. disadvantage: uses different methodology from annual projections, with the risk that annual projections released later this year will be different.
 - b. Include December 2023 projections – advantage: maintains consistency with annual projections. disadvantage: assumptions of these projections include policies Government campaigned against and now cancelled; higher risk of legal challenge of consultation using outdated projections

c. s 9(2)(h)

18. s 9(2)(h)

19. Including any quantitative option will require careful presentation to ensure that stakeholders are aware of the limitations of the modelling and the likelihood of changes between these projections (s 9(2)(f)(iv)) and the projections that will be developed to inform the final policy package (s 9(2)(f)(iv)).

20. We would like the Board's feedback on how to position this choice to Ministers.

Understanding the long-term risks the interim projections signal

21. In the longer term, emissions budgets require steeper net emissions reductions. The interim projections suggest that meeting EB3 is now more challenging and is unlikely to be achieved under *current* policies and settings (noting that *planned* ERP2 policies yet to be modelled).

22. There is a shift in approach to reducing emissions from ERP1 and the proposed ERP2 to a greater focus on net reductions, and initial modelling indicates that proposed policies for ERP2 will not necessarily improve the position for meeting EB3 at this stage.

23. We will continue to track this risk closely and advise the Board on it as modelling for ERP2 continues.

Next Steps

24. The CPMG papers will be updated and sent to the Minister of Climate Change for final sign-off on 13 May, ahead of the CPMG meeting on 20 May, 7:30-8:15pm.

25. The Minister of Climate Change will likely send letters to his colleagues following CPMG, reminding them of the importance of the final ERP2 needing to set out the policies for meeting EB2 and encouraging best efforts to work with officials to quantify the mitigation impact of the final policy set.

Recommendations

26. It is recommended that the Board:

a. **Note** the following papers will be provided to CPMG on 20 May:

- Cabinet paper on "Climate Vision" and associated one-page vision;
- Slides on process for developing ERP2, with appendix of key policies categorised per the climate vision, with an indication of what can and cannot be modelled;



- The Board's quarterly report (for noting only), containing an update on progress across the Government's six priority climate areas and the new interim emissions projections.
- b. **Endorse** the Board's quarterly report, which include the recent interim projections that demonstrate that achieving emissions budgets may be more challenging
- c. **Discuss** the interim projections and associated risks and how to position any Board advice for CPMG
- d. **Discuss** how to advise Ministers on the inclusion of projections in the discussion document.

Climate Priorities Ministerial Group Meeting

Date	Monday 20 May 2024	Time	7:30pm to 8:15pm
Venue	Ministerial Meeting Room, Level 2, Executive Wing, Parliament Buildings		
Attendees	<p><u>Core members</u></p> <p>Hon Simon Watts – Minister of Climate Change Hon Nicola Willis – Minister of Finance; Associate Minister of Climate Change Hon Chris Bishop – Minister of Infrastructure, Minister Responsible for RMA Reform, Minister of Housing Hon Simeon Brown – Minister for Energy, Minister of Transport, Minister of Local Government Hon Todd McClay – Minister of Agriculture, Minister of Forestry, Minister for Trade Rt Hon Winston Peters – Minister of Foreign Affairs</p> <p><u>High-interest members</u> [attendance TBD]</p> <p>Hon Mark Mitchell, Minister for Emergency Management and Recovery Hon Tama Potaka, Minister of Conservation, and Māori Crown Relations: Te Arawhiti Hon Penny Simmonds, Minister for the Environment Hon Shane Jones, Minister for Regional Development and Resources Hon Mark Patterson, Minister for Rural Communities Simon Court MP, Parliamentary Under-Secretary to Minister for Infrastructure, Minister Responsible for RMA Reform.</p>		
Apologies			

Meeting open – Welcome

#	Time	Agenda Item
1	20 mins	Agree Climate Approach/Vision Lead speaker: Hon Simon Watts
	7:30-7:50pm	<p>The draft climate vision is out for ministerial consultation. It sets out at a high level an overarching framework to guide delivery of the Government's climate work programme. The second emissions reduction plan (ERP2) will then build upon the pillars of the vision. This item is an opportunity for Ministers to further discuss the vision ahead of ECO Committee consideration.</p> <p><i>Recommendations:</i></p> <p>1.1 Note the attached Cabinet paper, <i>Establishing our approach to responding to climate change</i>, which lays out an overarching framework to help guide the Government's climate change work programme and relevant decisions over this parliamentary term.</p> <p>1.2 Note the Cabinet paper is scheduled to be considered by Cabinet later in May.</p> <p>1.3 Discuss material and agree priorities in the vision ahead of ECO Committee consideration.</p> <p><i>Supporting documents:</i></p> <ul style="list-style-type: none"> <i>Paper 1.1 Cabinet paper - Establishing our approach to responding to climate change (includes one-page vision)</i>

2	20 mins	<p>Developing second emissions reduction plan Lead speaker: Hon Simon Watts</p>
	7:50-8:10pm	<p>The Minister of Climate Change will be bringing a paper to Cabinet on 10 June requesting approval to consult on policies for the next Emissions Reduction Plan (ERP2). ERP2 is the main mechanism for achieving Government Target 9 and is required to be published under the CCRA. This item is an opportunity for Ministers to discuss and consider the full suite of ERP2 policies proposed to be included in the ERP2 discussion document. The consultation on ERP2 will set out how this Government will collectively approach reducing emissions, and deliver the settings needed to get New Zealand on track to meet the second emissions budget (2026-30).</p> <p><i>Recommendations:</i></p> <p>2.1 Note CCRA requires that the second emissions reduction plan (ERP2) be published by the end of 2024, 12 months prior to the start of the second emissions budget period of 2026-2030 (EB2).</p> <p>2.2 Note ERP2 must set out the policies and strategies for meeting EB2 and may also include policies and strategies for meeting later emissions budgets.</p> <p>2.3 Note that ERP2 will be based on the key pillars within the Climate Approach/Vision.</p> <p>2.4 Note that Cabinet approval will be sought on 10 June to consult the public on ERP2.</p> <p>2.5 Discuss the collective set of policies that will form the basis of public consultation on ERP2.</p> <p>2.6 Agree Ministers prioritise working with their officials to ensure policies contained within the final ERP2 are quantified in terms of their mitigation impact.</p> <p><i>Supporting documents:</i></p> <ul style="list-style-type: none"> • <i>Paper 2.1 Developing the second emissions reduction plan (ERP2)</i>
3	2 mins	<p>Any other business Lead speaker: Hon Simon Watts</p>
	8:10-8:12pm	<p><i>Recommendations:</i></p> <p>3.1 Note the May 2024 Quarterly Climate Change Interdepartmental Executive Board progress report update on the delivery of Government’s climate priorities and update on interim projections on progress against emissions budgets.</p> <p>3.2 Note the next CPMG meeting will be scheduled in September 2024.</p> <p><i>Supporting documents:</i></p> <ul style="list-style-type: none"> • <i>Paper 3.1 Climate Change Chief Executives Board Quarterly Report to CPMG, May 2024</i>
<p>Meeting close</p>		

Indicative forward agenda items		
Date	CPMG focus area	Discussion topic
Q3 Sept 2024	Reporting	<ul style="list-style-type: none"> Standing item: Quarterly IEB update on delivery of climate priorities and progress against goals and targets
	Adaptation	<ul style="list-style-type: none"> s 9(2)(f)(iv) [REDACTED] Direction on strategic positioning of response to Climate Change Commission's report on implementation and effectiveness of the NAP
	Domestic mitigation	<ul style="list-style-type: none"> s 9(2)(f)(iv) [REDACTED] Discussion and approval of draft response to Climate Change Commission's monitoring report on emissions reductions and the adequacy and implementation of the first ERP (due 17 Oct)
	International mitigation	<ul style="list-style-type: none"> s 9(2)(f)(iv) [REDACTED]
Q4 Dec 2024	Reporting	<ul style="list-style-type: none"> Standing item: Quarterly IEB update on delivery of climate priorities and progress against goals and targets
	Adaptation	<ul style="list-style-type: none"> s 9(2)(f)(iv) [REDACTED] Review of draft response to Climate Change Commission report on implementation of the NAP (due by February 2025)
	Domestic mitigation	<ul style="list-style-type: none"> Independent Review of Methane Science and Targets: report
	International mitigation	<ul style="list-style-type: none"> s 9(2)(f)(iv) [REDACTED]

In Confidence

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

Establishing our approach to responding to climate change

Proposal

- 1 This paper seeks Cabinet's endorsement of an overarching framework to help guide our climate change work programme, and relevant decisions, over this parliamentary term.

Relation to government priorities

- 2 The proposed framework for climate change response is consistent with relevant commitments in our Coalition Agreements, and the Prime Minister's ninth public service targets for 2030, which relates to reducing emissions to no more than 290 Mt during 2022-2025 and 305 Mt during 2026-2030.

The climate change challenge we face is significant but also provides economic opportunities

- 3 Climate change is a significant challenge for New Zealand, and we are already feeling the impacts of climate change. Cyclone Gabrielle cost 11 New Zealanders their lives and the Treasury estimates the overall costs of physical damage caused by the 2023 cyclone and flooding in the North Island was \$9.0-\$14.5 billion.
- 4 There is already growing demand for products, technologies and investments that help solve climate change and this demand is expected to increase. New Zealand can capture those opportunities to boost economic growth and increase productivity, particularly in areas we have expertise, such as renewable energy, agriculture and agritech.

Vision and priority actions this Parliamentary term to deliver for New Zealanders

- 5 We have a work programme to get our climate change response back on track and deliver tangible outcomes for New Zealanders. I have developed an overarching framework to help guide this work programme, and relevant decisions, over this parliamentary term. The framework reflects the relevant commitments in our Coalition Agreements and from our legislative requirements.
- 6 The full framework can be found attached as appendix 1. This framework summarises my vision for the climate change response, the priority focus areas, and the key actions we need to take this parliamentary term.

- 7 My vision is for New Zealand is to play its part to reduce the impact of climate change and prepare for a world experiencing the impacts of climate change.
- 8 I intend to prioritise the highest impact actions to support my climate vision.
- 9 I also consider that our vision for climate change also needs to be communicated publicly to domestic and international audiences to:
- 9.1 give confidence to, and empower, the private sector and households to make lower emission investment decisions
- 9.2 build social licence for New Zealand's climate change response.
- 10 The first opportunity to do so is in the Government's second Emissions Reduction Plan (ERP2), which needs to be published this year. I plan to include elements of this vision in upcoming consultation material for ERP2.

Cost-of-living Implications

- 11 There are no immediate cost of living implications from this paper.

Financial Implications

- 12 There are no immediate financial implications of this paper.

Legislative Implications

- 13 No new legislation is proposed and no changes to existing legislation.

Impact Analysis

Regulatory Impact Statement

- 14 A regulatory impact statement is not required for this paper.

Climate Implications of Policy Assessment

- 15 There are no immediate policy proposals that warrant a Climate Implications of Policy Assessment (CIPA).

Population Implications

- 16 There are no immediate population implications of this paper.

Human Rights

- 17 There are no immediate human rights implications of this paper.

Use of External Resources

- 18 No external resources have been engaged in core policy development processes for this work programme.

Consultation

19 The following agencies were consulted in the development of this Cabinet paper:

20 The Department of the Prime Minister and Cabinet has been informed.

Communications

21 I plan to use this document to inform my public communications in the Climate portfolio.

22 I plan to include elements of this vision in upcoming consultation material for ERP2, which is expected to be released publicly in June. I plan to separately seek Cabinet's agreement to begin consultation on ERP2.

Proactive Release

23 I propose to proactively release this paper once consultation on ERP2 has begun.

Recommendations

The Minister for Climate Change recommends that the Committee:






- 1 **note** climate change is a critical challenge we face but can also provide economic and productivity opportunities
- 2 **note** my vision for New Zealand is to play its part to reduce the impact of climate change and prepare for a world experiencing the impacts of climate change.
- 3 **endorse** my framework for our climate change response which summarises my vision for the climate change response, the priority focus areas, and the key actions we need to take this parliamentary term
- 4 **note** the need to publicly outline our climate change response to build social licence and give confidence to the private sector and households to make investment decisions
- 5 **note** I plan to seek Cabinet's agreement in June to begin consultation on the second Emissions Reduction Plan, which will include elements of this climate change response

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

Appendix 1: New Zealand's climate change response

<p>Vision</p>	<p><i>Doing New Zealand's part to reduce the drivers of climate change and preparing for a world experiencing the impacts of climate change.</i></p>				
<p>Priorities</p>	 <p>Green energy: abundant, affordable and accessible</p>	 <p>Credible markets to support emissions reductions and the economy</p>	 <p>World-leading innovation to support jobs and unlock opportunity</p>	 <p>Nature positive solutions to protect our climate and environment</p>	 <p>Resilient, well-prepared communities and infrastructure</p>
<p>Policies</p>	<ul style="list-style-type: none"> • Double renewable energy by 2050 • Publish National Policy Statement for Renewable Electricity Generation • Deliver 10,000 public EV chargers • Enable cheaper, faster large-scale renewable energy projects through fast-track consenting • Reform the RMA to incentivise investment in renewable energy 	<ul style="list-style-type: none"> • Limit conversions of highly-productive farmland to forestry • Introduce fair and sustainable agriculture emissions pricing by 2030 • Remove agriculture backstop from the NZ Emissions Trading Scheme • Set NZ ETS settings annually 	<ul style="list-style-type: none"> • Harness biotech to combat climate change and lift agricultural productivity • End the effective ban on genetic engineering and modification technologies 	<ul style="list-style-type: none"> • Investigate other forms of carbon sequestration, including wetlands and blue carbon • Full recognition of on-farm carbon sequestration • Predator Free 2050 • New afforestation on Crown land 	<ul style="list-style-type: none"> • Improve climate information, tools and guidance • Implement the first National Adaptation Plan to build resilience • Deliver a fair and enduring adaptation framework that provides clarity on costs.
<p>Government Target</p>	<p>Government Target 9: Reduced net greenhouse gas emissions</p>				

Implementing The Climate Vision – Public Consultation in June

1. In June, I will seek Cabinet approval to consult on the second emissions reduction plan.

- a. The plan is required by law and needs to be completed by 31 December 2024. Consultation is part of the statutory obligation.
- b. The plan is the first opportunity for us to publish a document that sets out our overall approach to reducing emissions.
- c. It will be focused on achieving our vision and 2030 goals (Government Target 9). It will naturally include priorities and actions that put us on a longer-term pathway towards our 2050 climate goals.

2. The discussion document will align with our coalition agreement, the climate vision discussed today, and to reflect the key priorities that have been expressed by Ministers collectively.

a. the importance of New Zealand looking at **climate mitigation through an economic lens**

b. taking a **net-based approach** to leverage key competitive advantages like the availability of land for forestry and other removals

c. restoring **confidence in the ETS** for it to deliver the most efficient, flexible and cost-effective path to 2050

3. We can expect to hear ideas from stakeholders that are consistent with our strategy:



Green energy

Through consultation we can ask whether any further actions are needed to improve responsiveness to the ETS price and provide additional investment confidence in our electrification journey.



Credible markets

There is an opportunity through consultation to hear more from stakeholders about what our approach to the ETS will mean for them, as well as from farmers following the commitment to introduce agricultural pricing by 2030.



World-leading innovation

We need to frame reducing agricultural emissions as an opportunity. If we can enable new technologies to be developed and adopted we will take significant strides towards our targets as well as create economic opportunities offshore.



Nature positive solutions

To maximise the availability of land and sequestration potential in NZ we need:

- an ETS that continues to incentivise planting
- to maximise opportunities to utilise Crown land
- s 9(2)(f)(iv)



Resilient, well prepared












Seek views on statutory requirement to consider climate adaptation measures. Public discussion can highlight work the government is doing on Adaptation Framework.

4. Cabinet next steps:

- a. To meet statutory timeframes, Cabinet needs to give approval to consult with the public in June. I will begin Ministerial consultation on this discussion document in the next fortnight.

Main policies to be included in the second emissions reduction plan

The following table sets out the main policies to be included in a public discussion document for Cabinet approval in June – order of sections in the discussion document and exact descriptions of policies may change.

<p>Introductory Sections</p>	<ul style="list-style-type: none"> Government’s Approach to Net-Zero By 2050 (Climate Vision): How New Zealand is tracking 	<p>Green Energy</p> 	<p>Credible Markets</p> 	<p>World-leading innovation</p> 	<p>Nature Positive Solutions</p> 	<p>Resilient, well prepared</p> 
<p>Strengthening emissions pricing</p> 	<ul style="list-style-type: none"> Strong ETS market confidence through regulatory predictability (including ending the ETS review, committing to no vintaging of NZUs and no differential treatment of forestry NZUs) Strong market governance through appropriate oversight and standards for the NZU market and improved transparency of market information Manage ETS impacts (afforestation, see Forestry section) Explore options for durable incentives for carbon removals outside of the ETS (to encourage sufficient emissions reduction or carbon removals to reach and remain at net-zero) Manage the waterbed effect by undertaking robust cost-benefit analysis of additional policy interventions and considering interactions with the ETS cap, then adjusting the ETS cap correspondingly 					
<p>Energy</p> 	<ul style="list-style-type: none"> Aim for a balanced approach to maintaining energy affordability and security while reducing emissions Enable electrification through delivery of Electrify NZ commitments, including fast-track consenting, RMA reform, national direction for renewable generation and transmission, and developing legislation to enable offshore wind generation Enable other low-emissions fuels and carbon capture technology, including by investigating regulatory settings for carbon capture utilisation and storage (CCUS), renewable gas, and hydrogen, and continuing work to improve information on bioenergy availability 					
<p>Transport</p> 	<ul style="list-style-type: none"> Network of 10,000 public EV chargers by 2030, facilitate private investment in EV charging infrastructure, and review government co-investment approach to ensure it is fit for purpose and targeted to the area where market barriers exist Review light vehicle importers standards to improve average emissions of the light vehicle fleet Regulatory changes to support the freight sector to decarbonise Facilitate industry discussions via existing forums and considering regulatory barriers, and ensuring New Zealand’s interests are represented appropriately on the international stage Work with other like-minded countries to support the supply and uptake of SAF and continue work to put in place the conditions to allow low- or zero-carbon shipping on key trade routes by 2035 Support public transport in main cities through investment and planning 					
<p>Agriculture</p> 	<ul style="list-style-type: none"> Provide tools and technology to reduce emissions in food and fiber producers Enable clear and effective regulatory pathways for agricultural mitigation tools Fair and sustainable pricing for on-farm agricultural emissions by 2030 (without sending production offshore) through keeping agriculture out of the ETS, introducing pricing once farmers have the tools to mitigate emissions, standardized farm-level emission estimation methods and recognising on-farm sequestration Review of methane science and targets 					
<p>Forestry</p> 	<ul style="list-style-type: none"> Encourage afforestation through appropriate incentives (such as giving certainty to forestry in ETS by restoring price stability and ETS confidence, limiting whole-farm conversions to exotic forestry on high quality land from 2024, partnership with private sector to plant trees for native afforestation on suitable Crown land) Boost wood processing through improving consenting framework, ensuring Wood Processing Growth Fund (WPGF) supports commercial investment in expanded wood processing and investigate options for incentivizing greater production and use of long-lived harvested wood products. 					
<p>Non-forestry removals</p>	<ul style="list-style-type: none"> Progress science and policy work to recognise additional non-forest removal activities and provide appropriate incentives for uptake s 9(2)(f)(iv) 	<p>Waste</p>	<ul style="list-style-type: none"> Focus Waste Minimisation Fund investment on reducing waste and emissions Work with industry to improve organic waste disposal and landfill gas capture 			
<p>Scaling up private investment</p>	<ul style="list-style-type: none"> Address barriers to climate-aligned investment by working with private sector to identify barriers Improve investor confidence through data and evidence, understand sector specific barriers Develop a sustainable finance strategy to support market confidence and certainty 					
<p>Other statutory requirements</p>	<ul style="list-style-type: none"> Distributional impacts on a range of people and groups <ul style="list-style-type: none"> Climate dividend as part of tax relief Existing social supports and initiatives 	<ul style="list-style-type: none"> Adapting to climate change locked-in <ul style="list-style-type: none"> Climate adaptation framework Existing initiatives (eg, climate-related disclosures) 				

Quarterly Progress Report to Climate Priorities Ministerial Group May 2024

DRAFT

Climate Change Chief Executives Board



Summary for period ending May 2024

Progress in delivering on the Government's climate priorities

This report outlines progress in delivering on the government's climate priorities, as outlined in manifesto and coalition agreements.

Over the March-May 2024 period, all core climate priorities saw progress - with milestones including a range of Cabinet and Ministerial decisions across the energy, transport, agriculture sectors and the adaptation framework (see Section 1(a)). Agencies are actively implementing these decisions and preparing for upcoming legislative and policy initiatives.

There are significant Cabinet decisions expected in the upcoming quarter (see Section 1(b)), to ensure delivery of core climate priorities within the timeframes committed to in coalition agreements. A key upcoming milestone will be Cabinet approval of the overarching climate vision and key policy areas for inclusion in public consultation on the second emissions reduction plan (ERP2).

Progress against climate targets and goals

Section 2 of the report updates on progress towards New Zealand's climate mitigation targets. Officials have used an alternative model (ENZ) to help assess how emissions are tracking to emissions budgets, taking account of updated methodological changes, adjustments to policy assumptions. ERP2 policies are not included in these interim projections.

Noting the limitations and uncertainties of the model (see page 6), the interim projections suggest the ability to meet emissions budgets has become more challenging, compared to December 2023 projections. The headroom for meeting Emissions Budget 1 (EB1) has decreased from a margin of 13 Mt to 2Mt using the central estimate (of an overall 290Mt budget for EB1). Central estimates of projected emissions for EB2 and EB3 are now above the limits of the budgets, but achieving EB2 and EB3 remains within the uncertainty bands of modelling.

RECOMMENDATIONS

- a) **Note** progress in delivering on the government's climate priorities for these quarter, and anticipated decisions and milestones for the next quarter.
- b) **Note** new interim projections (which use an alternative model, incorporate latest official inventory updates, and updated policy assumptions) suggest the ability to meet emissions budgets has become more challenging compared to December 2023 projections.
- c) s 9(2)(f)(iv)
- d) **Note** officials are available to meet with Ministers to discuss the interim projections in more detail.

Section 1(a): Key milestones across Government climate priorities

See Appendix 1
for further detail

Energy

- + Fast-track Approvals Bill introduced into Parliament (March 2024)
- + Cabinet considered next steps for work on EV chargers (April 2024), and Electrify NZ proposals (May 2024)

Transport

- + Cabinet considered the Supercharging EV Infrastructure work programme (April 2024)
- + Officials convened a Supercharging EV Infrastructure Taskforce (April 2024)
- + EECA launched next round of co-funding for EV chargers (April 2024)

Agriculture

- + Minister of Agriculture approved approach to developing on-farm emissions measurement by 2025
- + New shareholders joined AgriZero^{NZ} - increasing total funds for investment to \$180 million
- + Cross-ministerial group on Gene Tech established
- + Cabinet made final policy decisions to repeal agricultural obligations in the NZ ETS (April 2024)
- + Cabinet approval and announcement by Agricultural and Climate Change Ministers of independent review of methane science and target

Climate Data System

- + MfE released the 2024 Greenhouse Gas Inventory (April 2024)
- + Interim projections dataset created to establish the baseline for the second emissions reduction plan (April 2024)

Adaptation Framework

- + Cabinet approval of work to develop an adaptation framework, key objectives and workstreams (April 2024) and announcement of this work (May 2024)

Section 1(b): Upcoming key decisions and milestones

See Appendix 1
for further detail

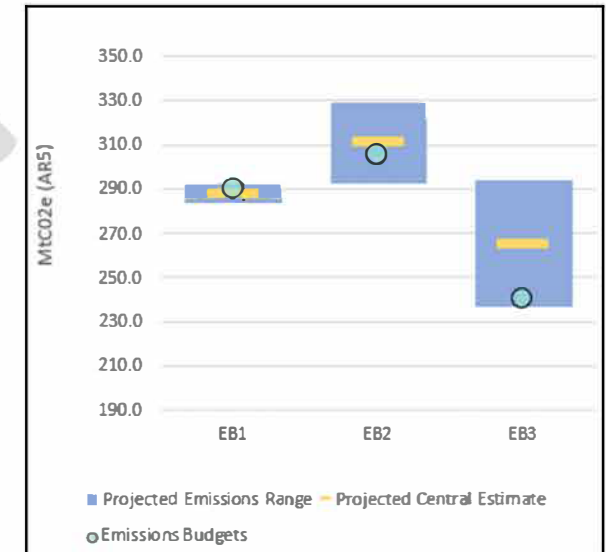
Sector/Theme	June to September	October to December
Energy	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv) ▪ Select Committee report back on Fast-track Approvals Bill, 7 September 	<ul style="list-style-type: none"> ▪ Introduction of Offshore Renewable Energy Legislation by December ▪ Consultation on improving efficiency of network connections by Electricity Authority, October
Transport	<ul style="list-style-type: none"> ▪ Advice to Ministers of Transport and Energy on options for government co-investment in EV-chargers ▪ s 9(2)(f)(iv) 	<ul style="list-style-type: none"> ▪ Cabinet report-back October, on: <ul style="list-style-type: none"> ○ Supercharging EV Infrastructure ○ Cost-Benefit analysis framework ○ Future co-investment model for EV charging infrastructure ▪ Implementation of Cabinet decisions on co-investment model
Agriculture	<ul style="list-style-type: none"> ▪ Continued engagement with sector on farm level emissions methodology ▪ Continue work to invest in R&D ▪ Announce disestablishment of He Waka Eke Noa ▪ Commence review on methane science and targets ▪ Draft legislation to remove agriculture from the ETS 	<ul style="list-style-type: none"> ▪ Continued engagement on farm level emissions methodology ▪ Conclude report on independent review of methane science and targets – begin policy analysis ▪ Introducing legislation to remove agriculture from the ETS, July-December
Forestry	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv) 	
Climate Data System	<ul style="list-style-type: none"> ▪ Delivery of information required to report on Government Target 9 ▪ MfE delivering data tool which provides open access to NIWA's climate projections, for adaptation and RM decision making, July 	<ul style="list-style-type: none"> ▪ MfE releasing emissions reporting dashboard to the public
Adaptation Framework	<ul style="list-style-type: none"> ▪ Summary of Submissions to Environment Committee & transfer to new Finance and Expenditure Committee, May 	<ul style="list-style-type: none"> ▪ s 9(2)(f)(iv)

Section 2: Progress towards meeting New Zealand’s climate mitigation targets

Officials have used an updated (alternative) projections model to provide an interim starting point estimate (ahead of consultation on the second Emissions Reduction Plan (ERP2)) of how emissions are tracking to budgets. s 9(2)(f)(iv)

The interim projections suggest emissions are higher than the December 2023 projections

Emissions Budget (EB) levels – net, all gases	Central estimate and uncertainty range	
	2023 official projections (based on July 2023 settings and assumptions)	2024 interim projections (based on April 2024 settings and assumptions)
EB1 (2022-25) = 290 Mt	277 Mt (±7Mt)	288 Mt (±4Mt)
EB2 (2026-30) = 305 Mt	281 Mt (±15Mt)	311 Mt (±18Mt)
EB3 (2031-35) = 240 Mt	233 Mt (±30Mt)	265 Mt (±28 Mt)



Key Takeaways: While noting the limitations and uncertainties of the alternative model (outlined below), these interim projections suggest the ability to meet emissions budgets has become more challenging compared to the December modelling results:

- The headroom (from the central projection) for meeting EB1 has decreased, from a ‘margin’ of 13 Mt in the Board’s March quarterly report to a ‘margin’ of only 2Mt using the central estimate from the interim projections.
- The last time we provided an update, the December emissions projections showed the central estimate for EB2 to be 29Mt lower than these latest interim projections, which has the central estimate for projected emissions 6Mt above the EB2 limit, and 25 Mt above EB3.
- However, EB2 and EB3 are still within the uncertainty bands of the modelling. The policy option sets being consulted on as part of developing ERP2 and the modelling of those policies (where possible) may improve the position.

Previous modelling projections (provided in the Board's March quarterly report) were based on official projections from December 2023, using July 2023 policy settings.

As outlined in the Board's March report, these December projections had outdated assumptions and inputs. These have now been factored into the updated modelling, including:

- **Methodological changes**, i.e. improvements to how we measure emissions in line with international reporting requirements, and as part of April 2024 GHG Inventory updates have meant that reported emissions from the agriculture sector (as a series) have increased as part of recent methodological adjustments. A combination of methodological changes and updated inventory data for these interim projections resulted in 7.2Mt *higher* emissions for EB1, 4.5Mt *higher* for EB2 and 3.9Mt *lower* for EB3 (compared to the projections from December 2023). Over the long term these types of changes can even out, as they can both increase and decrease reported emissions.
- **Adjustments for external factors**, e.g. NZ Aluminium Smelter was originally modelled as closing at the end of 2024, but as this is not certain, the model has now assumed it remains open.
- **Policy assumptions and other changes since July 2023**, such as removing the Clean Car Discount; GIDI; delaying agricultural pricing from 2025 to 2030; and updated ETS price assumptions (a continuously rising path beyond 2030 is no longer assumed, instead a rising, falling, then static price path is assumed based on current policy settings).

The interim projection results are based on an alternative ENZ model, an economy-wide model that incorporates the April 2024 greenhouse gas inventory updates.

- The model is different to those used for official projections, completed annually. The annual projection models have more sectoral detail than ENZ but do not include the interactions between sectors that are modelled in ENZ.
- ENZ has enabled an interim projection to be developed so officials can start to develop and model emissions policies for ERP2 in coming months.

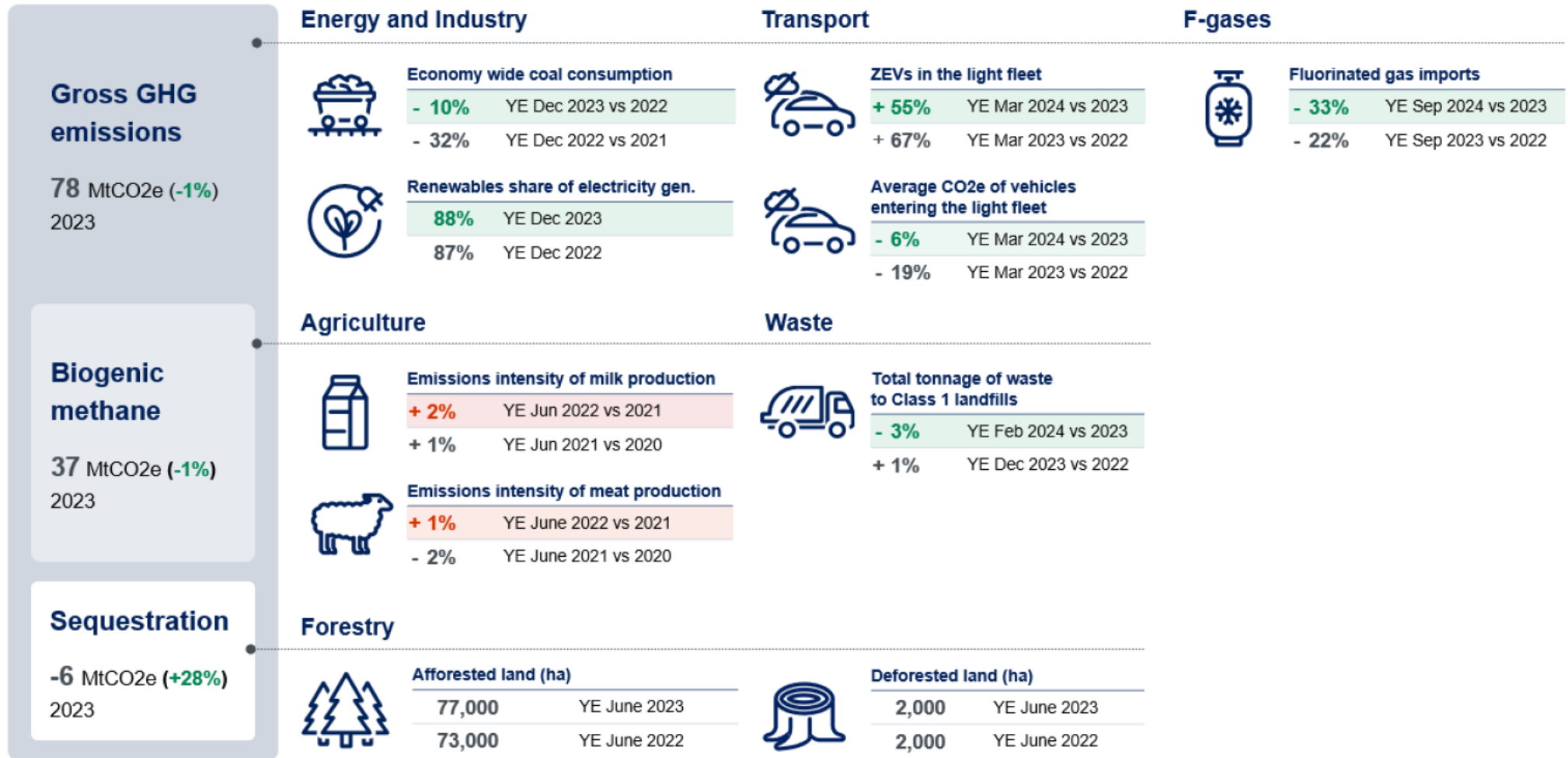
s 9(2)(f)(iv)

The updated model does have limitations, which mean the estimates need to be treated with caution because:

- The impacts of proposed policies for ERP2 are not yet included. Such policies will (where possible) be included in future modelling ahead of ERP2 being finalised.
- These interim projections do not account for ETS supply and demand dynamics and/or the stockpile, and therefore do not account for both upside and downside risks which could impact emissions outcomes. We are working to address this limitation to support final decision-making on ETS settings and ERP2.

Sectoral indicators show continued progress in reducing emissions

For the year ending December 2023, emissions have reduced in total and forestry sequestration has increased.



* Forestry sequestration estimates (MtCO₂e) are based on interim projections. GHG emissions (MtCO₂e) are interim estimates based on best available data. YE = Year end

Appendix 1: Further detail on Government's key climate priorities, May 2024

Sector/ theme and Lead Minister	Government core climate priorities + description	Key decisions and milestones out to December 2024		Progress: Completed Milestones Opportunities, Risks, and Interdependencies
		30 June – 30 Sept	1 Oct – 31 Dec	
Energy Minister for Energy (with Minister for Resource Management Reform)	Energy Action Plan/Electrify NZ , including: <ul style="list-style-type: none"> Cutting red tape to enable investment in renewables so can double supply of affordable, clean energy by 2050 Removing consenting barriers to accelerate electricity generation, transmission, and distribution infrastructure Enabling use of offshore renewable energy resources Ensuring fit for purpose funding and cost recovery rules for network infrastructure and new network connections 	<ul style="list-style-type: none"> s 9(2)(f)(iv) Select Committee report back on Fast Track Bill due 7 September 	<ul style="list-style-type: none"> Introduction of offshore renewable energy legislation by December 2024 Electricity Authority consultation on improving efficiency of network connections in October 2024 Commerce Commission final decision on revenue caps for Transpower and regulated EDBs –Nov 2024 Fast Track legislation passes into law in late 2024 	Completed Milestones <ul style="list-style-type: none"> Fast track approvals legislation introduced into Parliament 7 March 2024 Cabinet considered next steps for work on EV charging in April 2024 Cabinet considered next steps for Electrify NZ proposals in May 2024 Opportunities, Risks, and Interdependencies <ul style="list-style-type: none"> Electrify NZ is the overarching work programme – with sub-components being led by different agencies and aligned with other work programmes. E.g. with the wider RM reform. Interdependencies with Transport and ETS policies, which impact the rate of users switching to electricity (which impacts the pace at which increased electricity supply needs to be delivered). Interdependencies with workstreams being delivered by the Commerce Commission and the Electricity Authority.
Transport Minister of Transport	Deliver 10,000 public EV chargers by 2030	<ul style="list-style-type: none"> Developing advice for Ministers on options for government co-investment in EV chargers that embed public value assessment, and a cost-benefit analysis framework into investment decisions. s 9(2)(f)(iv) 	<ul style="list-style-type: none"> Cabinet report back in October 2024 to: <ul style="list-style-type: none"> Update on the Supercharging EV Infrastructure work programme. Provide advice on the cost-benefit analysis framework. Seek decisions on the future co-investment model for EV charging infrastructure. Implementation of Cabinet decisions on the government co-investment model. 	Completed Milestones <ul style="list-style-type: none"> Cabinet considered the high-level Supercharging EV Infrastructure work programme in April 2024 and invited a Cabinet report back by October 2024 with an update on the work programme and to seek decisions on future design of the rollout. Officials have convened a Supercharging EV Infrastructure Taskforce to formalise cross-agency working relationships, and coordinate future advice and external engagement on EV charging infrastructure. EECA have launched their next round of co-funding for EV chargers and are looking to trial arrangements for two further funding rounds in 2024. Opportunities, Risks, and Interdependencies <ul style="list-style-type: none"> Close interdependencies with the energy portfolio (including work by regulators relating to the costs, processes, and timeframes for new connections to the electricity network, and MBIE/MfE led changes to resource consents for chargers).
	Enable the development of sustainable aviation and marine biofuels	<ul style="list-style-type: none"> In July, an assessment of the impacts of potential measures on states, including New Zealand, will be completed. Ts 9(2)(f)(iv) The sustainable aviation fuels working group is meeting at a greater frequency, s 9(2)(f)(iv) 	<ul style="list-style-type: none"> The next formal IMO climate change negotiations will take place in October 2024. 	Completed Milestones <ul style="list-style-type: none"> Officials attended the IMO climate change negotiations (MEPC81) in March 2024.
Agriculture Minister of Agriculture	Give farmers the tools they need to reduce emissions (tech-led): <ul style="list-style-type: none"> Farm-level measurement by 2025 Continued sector-led investment in R&D to reduce on-farm greenhouse gases Introduce new legislation allow for greater use of gene technology Full recognition of on-farm sequestration on a robust, scientific basis 	Scoping regulation/investment options <ul style="list-style-type: none"> Continued engagement with the sector on development of the farm level emissions methodology (for implementation by 2025), including ongoing improvement of the methodology and work on adoption. Continue to work with the sector to invest in R&D. Continue to streamline regulatory pathways for approval and market acceptance of new mitigation tools. Gene tech: Policy development towards the cabinet paper Continued policy analysis of options for on-farm sequestration 	Scoping regulation/investment options <ul style="list-style-type: none"> Gene tech: Cab paper asking to introduce a Bill in December 2024. Continued policy analysis of options for on-farm sequestration 	Completed Milestones <ul style="list-style-type: none"> Minister approved the approach to developing on-farm emissions measurement by 2025. New shareholders joining AgriZeroNZ – increasing the total funds for investment to over \$180m. Gene tech: Cross ministerial group established. Met in March and will meet again 8 May. Opportunities, Risks, and Interdependencies <p>Gene Tech: interdependency with the Biosecurity Act. Opportunity is through streamlining approval processes.</p>

Sector/ theme and Lead Minister	Government core climate priorities + description	Key decisions and milestones out to December 2024		Progress: Completed Milestones Opportunities, Risks, and Interdependencies
		30 June – 30 Sept	1 Oct – 31 Dec	
	<p>Fair and sustainable pricing of on-farm emissions by 2030</p> <ul style="list-style-type: none"> Finalise policy to keep agriculture out of the ETS Commence an independent review of the methane science and targets for consistency with no additional warming from agriculture methane emissions 	<p>Scoping regulation/investment options</p> <ul style="list-style-type: none"> Continuing policy work and engagement with the sector on agricultural emissions policy Announce disestablishment of He Waka Eke Noa (TBC – subject to ECO, 22 May). Commence the review of methane science and target, including inaugurating an expert panel. <p>Legislation timelines</p> <ul style="list-style-type: none"> Removing agriculture from the ETS: Drafting legislation (May/June), LEG committee and Cabinet approval legislation (May/June). Bill introduction and First reading (June). Select Committee: (July-October). 	<p>Scoping regulation/investment options</p> <ul style="list-style-type: none"> Continuing policy work and engagement with the sector on agricultural emissions policy Conclude and report on the independent review of methane science and targets. Begin subsequent policy analysis. <p>Legislation timelines</p> <ul style="list-style-type: none"> Removing agriculture from the ETS: Parliament: Second reading (November), Committee of the Whole (November), Third Reading (November), Royal Assent (November/December) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> On 2 April, final policy decisions to repeal agricultural obligations in the New Zealand Emissions Trading Scheme were made Following Cabinet approval to do so, on April 6 the Agriculture and Climate Change Ministers announced the methane science and target would be independently reviewed.
<p>Forestry Minister of Forestry</p>	<p>Restoring price stability and confidence in the Emissions Trading Scheme (ETS) to give certainty to forestry</p> <ul style="list-style-type: none"> Limiting on farm conversions to forestry on high-quality land from 2024 to protect highly productive farmland. Partnering with the private sector to plant trees including opportunities for native afforestation on Crown land (excluding National Parks) that is unsuitable for farming and has low conservation value. 	<ul style="list-style-type: none"> Progressing policy work, s 9(2)(f)(iv) 	<ul style="list-style-type: none"> s 9(2)(f)(iv) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> December 2023: Government announced it is stopping the ETS review, to help restore market stability and provide businesses certainty and confidence. <p>Opportunities, Risks, and Interdependencies</p> <ul style="list-style-type: none"> ETS Forestry has interdependencies with overall decisions on ETS settings being led by MfE.
<p>Climate Data System Minister of Climate Change</p>	<p>Delivering high quality data, informing decisions, and supporting research into real world policy options.</p>	<ul style="list-style-type: none"> Deliver an emissions reporting dashboard by 1 July 2024 which provides quarterly reporting on measuring mitigation progress to date with real world data. Delivery of the information required to report on Government Target #9. Deliver a data tool which provides open access to NIWA's downscaled climate projections by 1 July 2024 for adaptation and RM decision making. 	<ul style="list-style-type: none"> MfE will be releasing the emissions reporting dashboard to the public. 	<p>Completed Milestones</p> <ul style="list-style-type: none"> MfE released updated Measuring Emissions Guide in May, supporting business and organisations to measure and reduce emissions MfE released the 2024 Greenhouse Gas Inventory in April 2024 supporting emissions reporting. The interim projections dataset has been created for the ERP2 baseline and provides insight into the latest progress on emissions reduction. <p>Opportunities, Risks, and Interdependencies</p> <ul style="list-style-type: none"> The climate data system consists of climate data producers and users across central and local government, businesses, academia, research entities, and the public. There is an opportunity to improve the accessibility, timeliness, and quality of climate decision making and policy options. The initiative has high expectations from local government and businesses to resolve systemic issues around sharing and using climate data.
<p>Adaptation Minister of Climate Change</p>	<p>Adaptation Framework, including:</p> <ul style="list-style-type: none"> s 9(2)(f)(iv) Gathering and sharing information about climate related risks to support informed decision making. 	<ul style="list-style-type: none"> Public submissions and oral hearings will be heard with the new adaptation inquiry's focus (timing TBC). A final report is due in early September. The Independent Reference Group will consider the issues and options papers. s 9(2)(f)(iv) 	<ul style="list-style-type: none"> s 9(2)(f)(iv) 	<p>Completed Milestones</p> <ul style="list-style-type: none"> Cabinet approval in April 2024 of developing an adaptation framework; agreement in principle to the high-level objectives and scope of the adaptation framework; and key workstreams of the adaptation framework The Finance and Expenditure Committee inquiry into community-led retreat and adaptation funding commenced on [9 May] and the adaptation framework was publicly announced. The Independent Reference Group had its first meeting on [14 May]. <p>Opportunities, Risks, and Interdependencies</p> <p>The Adaptation Framework work programme focuses on climate change levers but has interdependencies with other sectors including emergency management, infrastructure, housing, building and construction, resource management and local water done well.</p> <ul style="list-style-type: none"> Officials are working closely across agencies on the relevant policies.



Climate Change Chief Executives Board

Administration papers

Friday 10 May 2024

3:00–4:00pm

Climate Change Chief Executives Board

MEETING MINUTES

Wednesday 3 April 2024, 1:15-3:00pm
Online via MS Teams

Attendees	James Palmer (Chair, MfE), Audrey Sonerson (MoT), Dave Gawn (NEMA), Penny Nelson (DoC), Paul James (DIA), Aaron Martin (CL), Victoria Hallum (MFAT), Jamie Kerr (MBIE delegate), Julie Collins (MPI delegate), Vicki Plater (TSY delegate)
External attendees	Item 3 - Adrian Orr, Governor and Simone Robbers, Assistant Governor/GM Strategy, Governance and Sustainability (Reserve Bank of New Zealand)
	Item 4 - Members of the Climate Business Advisory Group: Mike Burrell (Sustainable Business Council), Simon Tucker (Fonterra), Abbie Bull (Z Energy), Sarah Holden (Oxygen), Kiri Hannifin (Air New Zealand), Lucie Drummond (Mercury), Stuart Dickson (Powerco) <i>In support:</i> David Ross, James Walker
In support	Hemi Smiler, Nadeine Dommissie, Sam Buckle (MfE), Lisa Daniell, Jane White, Amy Tisdall, Rachael Church (Climate IEB Unit)
Apologies	Caralee McLiesh (TSY), Carolyn Tremain (MBIE), Ray Smith (MPI)

#	Item	Actions
Chair's opening comments / karakia tīmatanga		
1	<p>Welcome / context sharing updates / CPMG debrief Lead: Chair / Lisa Daniell (Climate IEB Unit)</p> <p>The Board discussed key themes from the 25 March CPMG meeting, in particular the discussion on the draft NDC Cabinet Paper (since split into two papers) and next steps.</p> <p>The Board:</p> <p>1.1 s 9(2)(f)(iv)</p> <p>1.2</p> <p>1.3</p> <p>1.4</p>	<p>s 9(2)(f)(iv)</p>
2	<p>Reserve Bank of New Zealand</p> <p>The Chair welcomed Adrian Orr and Simone Robbers to the meeting, who outlined the Reserve Bank's perspective on climate change and New Zealand's position.</p> <p>Key points highlighted by the RBNZ were:</p> <ul style="list-style-type: none"> Banking and insurance are inseparable, particularly on the issue of climate change (especially regarding adaptation). RBNZ's connections to the international community can ensure New Zealand is not left behind. We need to work collectively to keep pace with global best standards. Need to address data gaps and slow uptake across banks for embedding climate risk into broader risk statements. RBNZ is starting to 	

push banks harder on how they are managing climate risk (eg via pricing, working with customers, shifting risk weightings) – relative price and business signals will be critical to adaptation.

- Stress testing and associated guidance can help build resilience in the financial system. A fresh test will be released soon.
- Work with Australian counterparts is underway; trying to get a clear green taxonomy in place.
- The challenge of private capital investments occurring in the right places – need to send market signals, with the Adaptation Framework likely to assist. Adaptation plans and burden sharing expectations can help attract global capital.
- RBNZ is keen to help with multi-sector responses on adaptation work and ERP.

Discussion points:

- s 9(2)(g)(i)



Climate IEB Unit to arrange further engagement with RBNZ at a later date
Lead: Climate IEB Unit

The Chair thanked RBNZ for their time and noted it would be useful to have continued engagement.

The Board:

2.1 **noted** that the Climate IEB Unit will arrange further engagement with the Reserve Bank of New Zealand.

3 Climate Business Advisory Group

The Chair welcomed attendees from the Climate Business Advisory Group (CBAG) to the meeting, to provide an update on work currently underway, the group’s intentions moving forward, and suggested core actions to focus on (including opportunities for private and public sector alignment on these actions).

Key points highlighted by CBAG members were:

- There are a number of strategic drivers for climate action, including:
 - major customers around the world are starting to set quite aggressive emissions reduction targets, asking suppliers what they are going to do to help them achieve targets;
 - some short term incentives are available via preferential debt financing rates;
 - climate-related disclosure and associated legal obligations are increasingly important, being clear about the climate risk facing our businesses;
 - China is taking its commitment to reduce peak carbon emissions by 2030 very seriously.
- New Zealand businesses are responding to these drivers. They are setting emissions targets and hard wiring in the path to decarbonization via business plans, and assigning capital. There is value in government and business approaches being aligned.
- Businesses are also thinking a lot about how to mitigate climate risks; how to decarbonise and make supply chains more resilient.
- There has been a tendency for business to think a lot about costs of climate action but upside opportunities are now being considered,

including efficiency and productivity gains from less intensive carbon footprints. Some industries will find it easier than others; some customers are willing to pay premiums for low carbon products; avoiding business disruption is also a strong business driver.

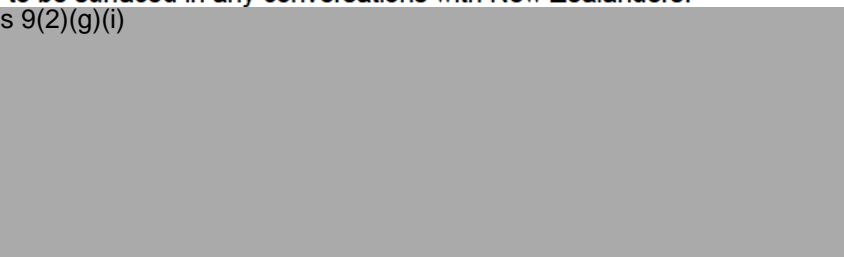
- Important to get alignment between certainty of direction and ambition—the mixture of certainty and regulatory framework that supports ambition.
- The ETS is fundamental to New Zealand's transition and needs to be effective, by driving prices up to help shift behaviour. There is work to do on the ETS to make it fit for purpose as well as looking at complementary measures in the view of private sector participants.

The CBAG gave a presentation of their briefing to the coalition government. It was noted that a report outlining initial thoughts on engagement between the government and the CBAG is being prepared and will be provided to the Board for feedback.

Discussion points:

- Business has a role alongside government in engaging with New Zealanders on climate action. Businesses need to share with New Zealanders eg the progress being made on decarbonisation, what the transition will mean for them, and what investment or decisions are required.
- Affordability and additional costs for customers trying to decarbonise are challenging issues. Risk of inaction if New Zealanders view climate change entirely through the lens of cost, compared to understanding the opportunity and avoided cost via a smoother transition. This needs to be surfaced in any conversations with New Zealanders.

- s 9(2)(g)(i)



- It was noted that even with large-scale investments (eg \$20 million in EV charging infrastructure) there is a view from private sector that there is a role for government to enable system change, through regulation or other demand-side settings. There was interest in what interventions the government could make in the market to sharpen incentives for private sector investment/action, noting a strong rationale is needed for government intervention in the market.

The Chair thanked the CBAG attendees for their presentation and noted that further engagement with the CBAG will be scheduled following finalisation of the Sapere report.

The Board:

- 3.1 **noted** that the Climate IEB Unit will arrange further engagement with the Climate Business Advisory Group following finalisation of the Sapere report.

Climate IEB Unit to arrange further engagement with the CBAG following finalisation of the Sapere report
Lead: Climate IEB Unit

Chair's closing comments / karakia whakamutunga

The meeting closed at 3:01pm.