



Cabinet

Minute of Decision

McGuinness Institute title:
[CAB-21-MIN-0099] National
Direction on Industrial Greenhouse
Gas Emissions: Approval to Consult

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National Direction on Industrial Greenhouse Gas Emissions: Approval to Consult

Portfolios **Energy and Resources / Environment**

On 6 April 2021, following reference from the Cabinet Business Committee, Cabinet:

- 1 **noted** that in July 2020, Cabinet agreed that national direction be developed to support amendments to the Resource Management Act 1991 (RMA) that reintroduce climate change mitigation into the remit of local government decision making [CAB-20-MIN-0051.01];
- 2 **noted** that these national direction instruments will be key tools in supporting the decarbonisation of process heat, which is critical for the first set of emissions budgets under the Climate Change Response Act 2002;
- 3 **noted** that the Climate Change Commission's draft recommendation 7a is to urgently introduce regulation to ensure no new coal boilers are installed;
- 4 **agreed** that a preferred option in the discussion document is to make the discharge of greenhouse gas emissions from new coal-fired assets for low and medium temperatures a prohibited activity under a national environment standard (NES);
- 5 **agreed** that a preferred option in the discussion document is to phase out coal-fired assets for low and medium temperatures by 2037;
- 6 **noted** that the Climate Change Commission's draft recommendation 7b is to introduce measures to help reduce process heat emissions from boilers by 1.4 Mt CO₂e over 2018 levels by 2030 and by 2 Mt CO₂e by 2035, which corresponds to the Commission's draft path where coal is phased out in food processing by 2037, and natural gas use declines;
- 7 **noted** that the Climate Change Commission's draft recommendation 9c is to prohibit new natural gas connections by 2025 and earlier if possible, and that this applies to residential and commercial buildings, not industrial gas use;
- 8 **noted** that having preferred options in the discussion document that prohibit new natural gas installations or having a phase out for natural gas in the industrial sector could have implications for security of supply in the electricity system as it transitions;
- 9 **noted** that the Minister of Energy and Resources is conducting work with industry on the managed phase-out of fossil fuels in the energy system;

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- 11 **agreed** to review national direction for natural gas-fired boilers and networks in 2026;
- 12 **agreed** that a preferred option in the discussion document is the requirement for industrial sites to prepare and implement greenhouse gas emissions plans to encourage the uptake of low emissions best practices, and that best practice guidance will be developed by the Energy Efficiency and Conservation Authority (EECA) and incorporated by reference into the instrument;
- 13 **agreed** to release the discussion document *Phasing Out Fossil Fuels in Process Heat: National Direction on Industrial Greenhouse Gas Emissions* attached under CAB-21-SUB-0099 (the discussion document) to support public consultation over April – May 2021 on proposals for national direction on industrial greenhouse gas emissions (phasing out fossil fuels in process heat);
- 14 **authorised** the Minister for Energy and Resources and Minister for the Environment to make minor editorial, design, technical and policy changes to the discussion document as needed prior to publishing;
- 15 **noted** that the national direction instruments will be designed in a way that allows them to be transferred into the national planning framework that is currently under development through resource management reform;
- 16 **invited** the Minister for Energy and Resources and Minister for the Environment to report back to Cabinet by 31 July 2021 with final policy recommendations;
- 17 **noted** that the proposals in the paper attached to CAB-21-SUB-0099 relate to the Cooperation Agreement between the Labour and Green parties, and that Green Party policy supports a just transition approach to phasing out existing industrial and commercial coal use by 2030 and industrial and commercial gas use by 2035, except in very limited circumstance where no alternative technology exists.

Michael Webster
Secretary of the Cabinet

Secretary's note: Paragraph 4 has been amended to align the wording with paragraphs 5 and 12.