

I N C O N F I D E N C E

Office of the Minister of Climate Change

Chair, Cabinet Environment, Energy and Climate Committee

Reprioritisation of the climate change work programme

Proposal

- 1 This paper advises you of changes to the climate change work programme following the outcome of Budget 2021.

Relation to government priorities

- 2 The Government declared a climate change emergency on 2 December 2020, the Cabinet Business Committee (CBC) agreeing that climate change “demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge” [CBC-20-MIN-0097 refers].
- 3 Enabling a just transition to a low-emissions climate resilient future is also a Government priority. This was emphasised by CBC when they noted the intention to “put the climate at the centre of government decision-making” and agreed that “climate change requires decisive action by all levels of government, the private sector and communities” [CBC-20-MIN-0097 refers].

Background

- 4 Following an invitation from the Minister of Finance, I put forward a cost pressure bid for the Ministry for the Environment of \$23.054m for the 2021/22 year, alongside specific initiative bids for the Carbon Neutral Government Programme and the climate finance project. Both specific bids are joint with other agencies.¹
- 5 Budget 2021 decisions have resulted in an additional budget allocation for the Ministry’s climate change portfolio within Vote Environment of only \$6.45m for the next financial year.
- 6 This only provides the minimum funding to address a projected drop-off in appropriation, maintaining funding at 2020/21 levels. It leaves an \$11.2m shortfall for what is needed to deliver the climate change work programme in 2021/22 that was agreed by Cabinet, and signalled for decision within the coming financial year.

¹ Joint agencies for the Carbon Neutral Government Programme initiative bid were Ministry for the Environment, Ministry of Business, Innovation and Employment, and the Energy Efficiency and Conservation Authority. Joint agencies for the climate finance project initiative bid were the Ministry for the Environment and the Treasury.

IN CONFIDENCE

- 7 As a result, I have had to make significant changes to the climate change work programme to fit within the appropriation for this financial year.

Changes to the climate change work programme

- 8 The climate change work programme includes several significant milestones over the coming year. Among these are statutory deadlines under the Climate Change Response Act 2002 to put in place the first three emissions budgets and the first Emissions Reduction Plan by 31 December 2021. This will be an opportunity for the Government to determine how hard and fast New Zealand should transition to a low emissions economy and make decisions on the sectoral policies needed to reduce emissions.
- 9 The following elements of the climate change work programme will be slowed down or scaled:
- 9.1 the final passage of Climate Change Response Act 2002 amendments relating to industrial allocation, market governance, s 9(2)(f)(iv) [REDACTED] will now occur in 2023
- 9.2 s 9(2)(f)(iv) [REDACTED]
- 9.3 work to secure access to international carbon markets in order to fully meet our Nationally Determined Contribution will also need to scale. This work is essential to managing our longer term fiscal costs.
- 10 In addition, in some areas, other agencies will now need to provide greater support to deliver key policy initiatives for the Government as outlined in the table below. Most critically, this includes the Carbon Neutral Government Programme.
- 11 The Ministry for the Environment will need to scale the Carbon Neutral Government Programme Lead and Secretariat function, and focus its work on policy development (for emissions reporting and offsetting) alongside a limited coordination role. The programme will continue to be jointly delivered with MBIE and EECA. Officials are working through options for scaling and potentially transferring some functions among each other to ensure the Programme is adequately supported. For example, EECA could pick up agency training and additional 1:1 support.

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Table 1: Revisions to Cabinet directed work programme

Cabinet Minute	Work area	Result of reprioritisation
CAB-21-MIN-0068	Climate Adaptation Act	Decouple this legislation from the wider RM Reforms. Consultation will proceed in Feb/March 2022 as part of the National Adaptation Plan consultation, with legislation introduced to the House in early 2023.
ENV-21-MIN-0009	Updating Industrial allocation	Consultation decisions proceed in mid 2021 as planned, but legislative process will only commence in FY 22/23
CBC-20-MIN-0126	Creating a market governance framework	Consultation decisions proceed as planned in mid-2021, but legislative process will only commence in FY 22/23
CAB-20-MIN-0491 CBC-21-MIN-0030	Establishing and running the Carbon Neutral Government Programme	MfE support scaled to focus on policy development (for emissions reporting and offsetting) alongside a limited coordination role. Officials are working through detailed options for scaling the Programme cross agencies (MB E/EECA) with CNGP Ministers.
CAB-19-MIN-0480	He Waka Eke Noa	MfE received partial FTE funding and no non FTE funding in the cost pressure bid. This includes the contribution to the Federation of Māori Authorities. To meet the FTE and non-FTE contribution to the Partnership, funding has been secured from the climate and water agriculture programmes.

Financial Implications

- 12 The changes outlined in this paper will ensure the work programme fits within the appropriation for this financial year. The intended timeframes outlined above go beyond the current financial year and are subject to future Budget decisions. There are no further financial implications at this time.

Legislative Implications

- 3 The changes outlined include slowing down work on various pieces of legislation. Officials will discuss revised legislative timeframes with the Parliamentary Counsel Office.

Consultation

- 14 The changes outlined will be discussed with relevant agencies and other partners and stakeholders who are involved in the work.

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Proactive Release

- 15 I intend to proactively release this paper on the Ministry for the Environment's website.

Recommendations

The Minister of Climate Change recommends that the Committee:

- 1 **Agree** the changes to the climate change work programme as outlined in Table 1 of this paper.

Authorised for lodgement

Hon James Shaw

Minister of Climate Change

Proactively released