



Reference: 20180395

31 October 2018



Dear [redacted]

Thank you for your Official Information Act request, received on 24 August 2018. You requested the following:

"... a copy of all documents provided to Minister's offices which contain advice or information related to a possible decision for New Zealand adopt a split gases approach (e.g. treating methane different to carbon dioxide) to a 2050 or 2030 climate change target.

I would also like to request, under the OIA, a copy of all documents provided to Minister's offices which contain advice or information related to any potential changes to New Zealand's Nationally Determined Contribution to the Paris Agreement. This includes a potential submission of an update to New Zealand's contribution, as requested by UNFCCC decision 1/CP.21.

To narrow the scope this OIA can be interpreted to include all documents since the 1st of October 2017."

As I noted in my earlier letter on 6 September 2018, the Treasury transferred the first part of your request for information about a split gases approach to the Ministry for the Environment (MfE), as we believed it was more closely connected to MfE's area of responsibility. We also consulted with the Ministry of Foreign Affairs and Trade, who confirmed that they had also received your request and would coordinate with MfE in responding to the second part regarding New Zealand's Nationally Determined Contribution to the Paris Agreement.

On 25 September your request was transferred back to the Treasury as some material in scope is more closely related to our functions.

On 24 October 2018 I wrote to you extending the due date for deciding on your request by an additional 5 working days due to the consultations needed.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	27 April 2018	Email and attached slide pack: Climate Change Ministers' meeting 30 April 2018 - key points	Release in part
2.	9 August 2018	Aide Memoire: Climate Change Ministers' meeting - 14 August	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under the following sections of the Official Information Act, as applicable:

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Some information has been redacted because it is not covered by the scope of your request.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Natalie Labuschagne
Policy Manager, Transition and Regional Economic Development

OIA 20180395

Information for Release

1.	<u>Email: Climate Change Ministers meeting 30 April 2018 - key points</u>	1
2.	<u>Aide Memoire: Climate Change Ministers' meeting - 14 August</u>	14

From: Daniel Lawrey [TSY]
Sent: Friday, 27 April 2018 4:13 PM
To: ^EXT: Alastair Cameron
Cc: Natalie Labuschagne [TSY]; Grace Campbell-Macdonald [TSY]; Bryan Chapple [TSY]
Subject: Climate Change Ministers meeting 30 April 2018 - key points
Attachments: Zero Carbon Bill - Key Proposals for Consultation.pdf

[IN-CONFIDENCE]

Hi Alastair,

As requested, this email outlines key points for the Minister of Finance's attention when he attends the Climate Change Ministers meeting on 30 April 2018.

Attached is the slidepack MfE sent to Minister Shaw this morning for the Climate Change Ministers meeting. Minister Shaw's office will formally send you the final version of the slidepack today.

Key points to note are:

- **Links to economic strategy**
 - Slide 11 illustrates how a climate change transition strategy nests under economic strategy.
 - We expect Climate Change Ministers to have a brief conversation about linkages between different strategy and ministerial groups.
 - MBIE, MfE and the Treasury will develop clarity on co-ordination and integration between processes in the next few weeks.
- **Upcoming ENV meetings**
 - On 8 May 2018, Cabinet Environment, Energy and Climate Change Committee (ENV) will discuss economic modelling of climate change target options for the Zero Carbon Bill.
 - On 8 May, ENV will also consider a paper from Minister Shaw on the framework for climate change policy. The framework is intended to ensure climate change decisions are made in a consistent manner, with a clear understanding of benefits and trade-offs.
 - Minister Shaw will seek approval to release the Zero Carbon Bill discussion document at ENV on 22 May 2018.
- **Climate change target options – retaining a range of options at this stage**
 - We understand Climate Change Ministers will discuss the approach to consultation on the Zero Carbon Bill. This is likely to include how to present options for consultation on climate change targets.
 - Slide 5 sets out a range of target options.
 - We think Ministers should avoid narrowing options at the 30 April Climate Change Ministers meeting. This is because:
 - The economic impacts of different options are likely to be significant.
 - MfE-commissioned economic modelling is still being completed, and will not be available to inform any decisions at the 30 April meeting.
 - Ministers will have the opportunity to further consider options at the ENV meetings on 8 May and 22 May. We expect MfE to share economic modelling results with other agencies next week.
 - We also think there are factors that favour consulting on a range of target options:
 - A legislated climate change target will relate to significant transition for New Zealand, and a public conversation on options is important.

- In particular, we think stakeholders will expect an opportunity to provide feedback on options for a net zero emissions target (i.e. all gases and sectors), and a zero further warming target (i.e. split targets for different gases). This expectation will be reinforced by the Productivity Commission Draft Report on a Low-emissions Economy, which recommended a split target for short- and long-lived gases (recommendation 8.1):

The Government should establish separate long-term domestic targets for short- and long-lived gases, together with a regular series of reviews of progress against these targets. The long-lived gas target should be a net-zero target by a specified end date and the short-lived gas target should aim for a stabilisation level within a specified temperature limit. The short-lived gas target must be underpinned by an explicit quantity goal (ie, maximum emissions rate). The Government should support these separate targets with a single all-gases target. The all-gases target should be set in primary legislation. The Government should carefully consider the appropriate legislative instrument to express the separate short- and long-lived gas targets.

- s9(2)(f)(iv)

- Climate Change Commission – options regarding Commission role and NZ ETS
 - We think it is appropriate to present different options on the role of the Commission and the NZ ETS (as set out on slide 9).
 - Before final Cabinet policy decisions, officials need to undertake further analysis to understand the consequences if the Commission has a decision-making role on the NZ ETS. This includes fiscal impacts, economic impacts, linkages with international commitments, and implications for the form of the Commission. These issues arise because of interdependencies between the NZ ETS, targets under the Paris Agreement, emissions budgets, and the role of international emissions units.

Regards,

Daniel

Daniel Lawrey | Senior Analyst, Natural Resources | The Treasury

s9(2)(k) | daniel.lawrey@treasury.govt.nz

Zero Carbon Bill

Key proposals for consultation

April 2018

RELEASED UNDER THE
OFFICIAL INFORMATION ACT



Ministry for the
Environment
Mātauranga Me Te Taiao



Making Aotearoa New Zealand
the most liveable place in the world
Aotearoa – he whenua matua kura mō te tangata

Framework for climate change policy

- We are developing a set of objectives for climate change policy, planned to be discussed at Cabinet Committee in May.
- These will inform the options we include in the discussion document for the Zero Carbon Bill



Choices in the Zero Carbon Bill

- The **main choices** within the Zero Carbon Bill are:
 - **Our new target** – how far and how fast should we go?
 - **Role of Commission** – to what extent should the Commission have decision-making powers?
 - **Adaptation** – what might the role of the Commission in adaptation be?
- The **process** for getting to final decisions on the Zero Carbon Bill
 - **Today** – discussion of proposals to be presented in public consultation
 - **8 May** – ENV agrees framework for climate change policy, and discussion of economic modelling of target options
 - **22 May** – ENV considers draft consultation document
 - **28 May** – Cabinet approves release of consultation document
 - **June/July** – Consultation
 - **End of August** – Final policy decisions

Paris Agreement

New Zealand ratified the Paris Agreement in 2016.

The Paris Agreement aims to hold the increase in the global average temperature to well below 2 degrees Celsius above pre industrial levels, and pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.

In order to achieve the temperature goal, the Paris Agreement sets out that the world should peak its emissions as soon as possible, and reach global net zero emissions in the second half of this century.

Choices on which target to set

TARGET DEFINITION OPTIONS				
Status quo	Net Zero Carbon	Zero further warming	Net Zero Emissions	s9(2)(f)(iv)
50% reduction on 1990 levels by 2050 (all gases)	Net zero carbon dioxide emissions by 2050	Net zero long-lived gases and non-zero but stable short-lived gas flow rates by 2050	Net zero emissions (all gases) by 2050, domestic action only	s9(2)(f)(iv)
EMISSIONS OUTCOMES				
ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS				
<i>Economic analysis will support the choice of target. This work is underway.</i>				
ALIGNMENT WITH SCIENTIFIC EVIDENCE ON REDUCING CLIMATE CHANGE				
Limited scientific justification for these targets	New Zealand would not be contributing to further temp rises, but could still do more	Strong scientific justification for adopting these targets		
ALIGNMENT WITH NEW ZEALAND'S COMMITMENTS UNDER THE PARIS AGREEMENT				
Unlikely	Partially	Strongly		

Other views on our 2050 target

- A number of domestic commentators have made proposals about our 2050 target, including both:
 - what level that it should be set at; and
 - how it should be managed over time
- For example:
 - The **Productivity Commission** has clear recommendations for the institutional arrangements for how our target should be managed over time, but has not expressed strong views about the level at which it should be set
 - The **Parliamentary Commissioner for the Environment** has not said the exact year when New Zealand emissions should reach net zero, but has proposed that the Government should set a over-arching target in legislation (that is in line with the Paris Agreement) and the Climate Change Commission should subsequently advise on the specific target.
 - **Generation Zero** has proposed both an institutional arrangement for setting our target, as well as a specific level that it should be set at in 2050

I propose we seek the public's views on the full range of credible options for the new target.

Transitioning to net zero emissions

- To reach zero emissions a deep and broad transition will be needed across the New Zealand economy
- This transition is likely to require a combination of:
 1. Structural changes (ie changes in the types of industry and employment)
 2. Technological changes (in both development and uptake of new technologies)
- Specifically, to reach net zero by 2050, Vivid have suggested this could require:
 - A substantial increase in new forest planting. Some of the more challenging targets might require up to 10% of New Zealand to be covered in new forest plantations by 2050
 - Decarbonisation of our transport and energy systems. At least 80% of vehicles will need to be electric by 2050
 - Reductions in livestock numbers and changes in on-farm methods such as methane vaccines
 - Carbon prices rising over the next 30 years, to potentially \$250/tonne in 2050 [*initial modelling results – NZIER analysis is still underway*]

Our transition should be supported by a strategy. The Paris Agreement sets an expectation that we will develop and publish a long-term low emissions development strategy.

Producing and maintaining a strategy could be set us as a statutory requirement through the Zero Carbon Act – as recommended by the Productivity Commission

Transitioning brings opportunities and challenges

OPPORTUNITIES:

- Structural change in the economy may drive towards a more productive and sustainable economy
- Acting sooner rather than later will ease the transition
- There may be increased innovation in our forestry and agricultural science sectors
- We can expect substantial wider benefits to society such as health, congestion and environmental benefits
- (and if the world acts) Avoid the damage caused by a changing climate

CHALLENGES:

- Changes are required to how and where New Zealanders work, travel and consume
- Higher emissions prices have the potential to slow GDP growth
- Emissions intensive, trade exposed industries could face competitiveness challenges, with a risk of emissions leakage.
- Managing an inclusive transition will require government to align policies to minimise adverse impacts on groups.
- Managing and prioritising funding across adaptation and mitigation initiatives

The ongoing economic analysis will provide further evidence about these trade-offs

Climate Change Commission

The new independent Commission can help give greater predictability and de-politicise the direction of climate change policy

Advisory	Advisory plus a requirement for Government to respond	PLUS a decision making role on the NZ ETS	Broad-ranging decision making powers
----------	---	---	--------------------------------------

I propose we present the full range during consultation with the public, and indicate a preference for a Commission model under which:

- a) Its core role is advisory and monitoring on emissions budgets and climate change adaptation
- b) Government is required to respond to advice, including a plan to meet budgets

This model draws strongly on the UK Committee on Climate Change

And present a choice in respect of the NZ ETS:

- a) Advisory or decision making on the number of emission units in the scheme

Decisions on budgets will set the extent and pace of the transition and are critical in achieving the just transition.

I propose we seek the public's views on the matters the Commission is required to consider in providing advice.

This would include: our climate change policy objectives and goals including the need for a just transition; social and economic impacts; and developments in science and technology. To inform judgements on the just transition.

Climate Change Adaptation

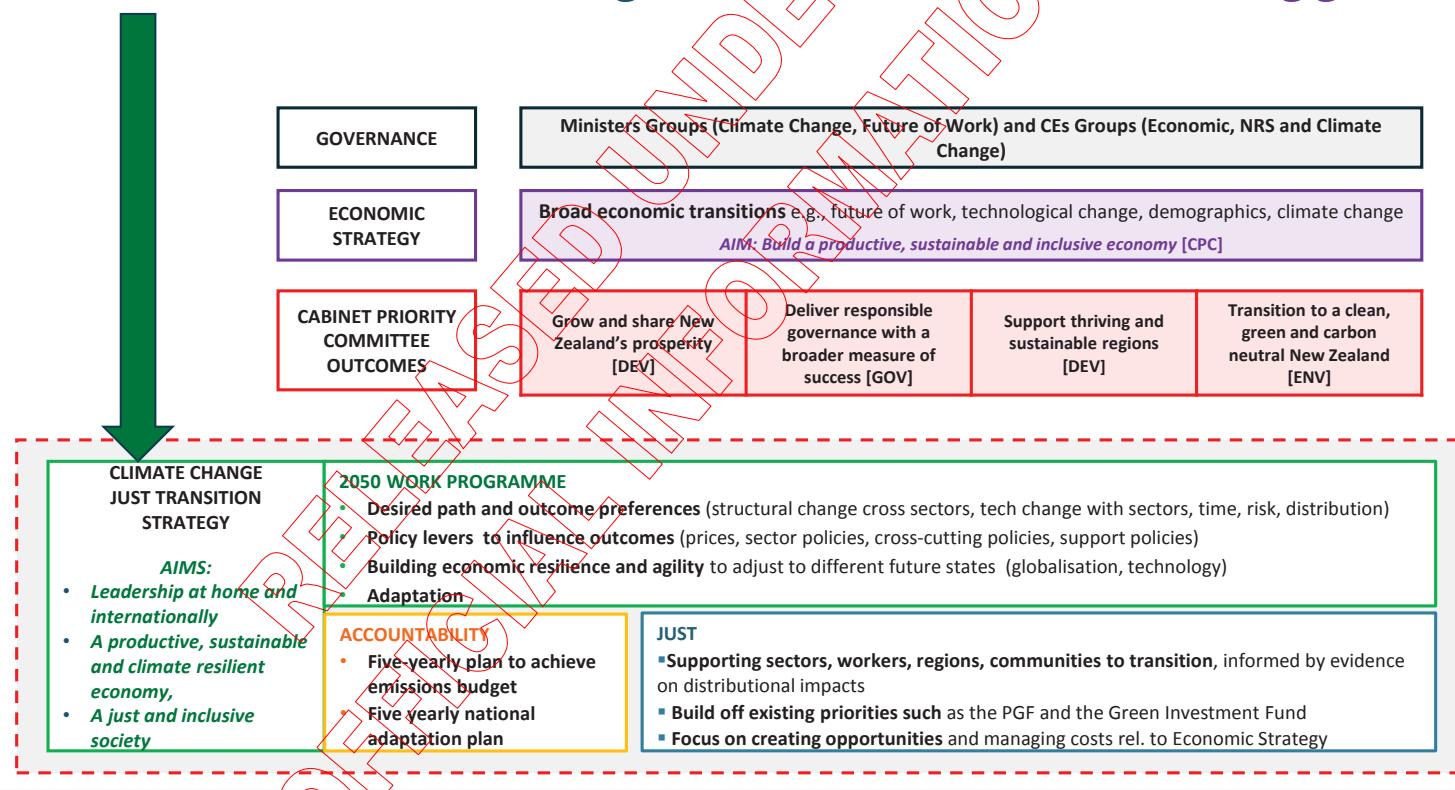
Putting adaptation in the Zero Carbon Bill would provide a clear signal that it is an integral part of the transition.

- We need to decide what role the Climate Change Commission should have on adaptation.
- It is proposed that the Bill include:
 - A requirement for Government to produce a regular **National Climate Change Risk Assessment** every five years;
 - A requirement for Government produce a **National Adaptation Plan** every five years;
 - **A monitoring framework**, and
 - **A reporting power** under which organisations of a public nature with climate-sensitive responsibilities regularly report on what they are doing to prepare for climate change impacts. We also need to decide which organisations this would apply to.
- *The Commission could provide independent monitoring of our progress towards addressing climate change risks.*

I propose we seek the public's views on:

- The proposed package of options to be included in the Bill; and
- What role the Commission should have on adaptation

A 2050 Climate Change Transitions Strategy, nesting under Economic Strategy



IN-CONFIDENCE



Reference: T2018/2216

File no: SH-10-8

Date: 9 August 2018

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: Climate Change Ministers' meeting - 14 August

You are attending the Climate Change Ministers' meeting on Tuesday 14 August at 8.00am to discuss upcoming policy decisions on the Zero Carbon Bill (ZCB) and related timeframes. We understand this meeting will be attended by Hon James Shaw, Minister for Climate Change, and Hon Shane Jones, Minister of Forestry.

This note, requested by your office, provides an overview of the ZCB's context within New Zealand's wider climate change policy, as well as an annotated agenda with potential talking points for your consideration. We have not seen any material for this discussion, other than a summary of options, so we are uncertain what Hon Shaw intends to cover in this meeting.

Key messages

- The ZCB will put a 2050 target in place to reduce emissions and would set up the foundations and the institutions to support reaching that target.
- The Ministry for the Environment (MfE), following consultation on the ZCB, is in the process of developing its advice on ZCB policy decisions. It expects to finalise its high-level position, informed by agency comment, on Friday 10 August.
- This advice, therefore, is being provided in the absence of firm direction from MfE on the direction of its policy decisions and that might inform Hon Shaw's proposals for the ZCB.
- Many of the decisions taken this year by Cabinet on the ZCB will not have real fiscal or economic implications for many years. However, some aspects – in particular the nature of the 2050 target – will have economic and fiscal impacts in the medium to long term.

IN-CONFIDENCE

Context for ZCB within New Zealand's wider climate change policy

Strategic context on the transition pathway

The Climate Change Commission, which will play an important role in determining the emissions budgets, is expected to be established in 2019 with the first three emissions budgets (of five years each) set in 2020. Figure one below illustrates the potential pathway for reducing emissions to 2030.

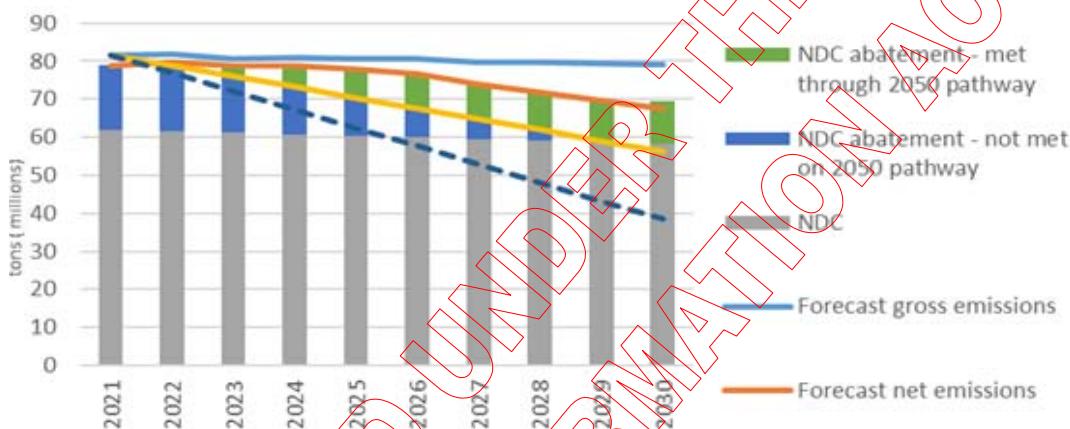


Figure 1: Possible options on reconciling our international NDC and our domestic transition to zero in 2050

New Zealand's 2030 Nationally Determined Contribution (NDC) – our first climate change target under the Paris agreement – is a budget-based target, effectively requiring ≈200 million tonnes of emissions reductions/mitigation in the years 2021–2030. However, if New Zealand's net emissions followed the (hypothetical) path between our projected emissions in 2020 and zero in 2050 (the yellow line above), we would achieve only half of our target (shown in the green bars in the chart). This raises the issue of how reduce emissions sufficiently in order to meet the 2030 NDC (the dotted line in the chart) or whether to slow the transition path and use international units to meet the difference between the 2050 pathway and the NDC (shown in the blue bars in the chart.) A third alternative would be to reduce domestic net emissions even more slowly than the 2050 pathway in the 2021–30 period, and relying more heavily on international units.

Decisions on the pathways to 2030 and 2050 will reflect strategic choices how costs of transition are distributed (i.e. the Crown or the economy) and how fast we want the shift to occur.

Linkages with the Zero Carbon Bill

There are four main policy areas underpinning the ZCB. These are:

1. 2050 Target,
2. Climate Change Commission,
3. Emissions Budgets, and
4. Adaptation.

IN-CONFIDENCE

Setting an emissions target in 2050 does not have economic or fiscal implications per se; however, policy decisions made in order to achieve that target may have economic and/or fiscal impacts. The nature of these decisions will impact when these impacts are felt (only in the medium/long term, or also in the short term). For example, setting the Emissions Trading Scheme and other policy levers such that domestic net emissions in the 2021-30 period reduce commensurate with our 2050 target will have potentially important economic and fiscal consequences, beginning in 2021.

Decisions on the 2050 target for the Zero Carbon Bill will influence the overall transition pathway to 2050, and therefore the long-term economic and fiscal implications.

The 2050 target will also influence the desired domestic emissions pathway to 2030 and the cost of transition to 2030. For example, decisions on the 2050 target will affect the gradient of the yellow line in figure one.

The role of the Commission and process for setting emission budgets will establish the process for later decisions that have significant fiscal and economic impacts. This is because emission budgets will have an integral role in determining who bears the costs of transition (i.e. the Crown or the economy) and how fast we want the shift to occur.

Annotated agenda and possible talking points

1. Introduction

Hon Shaw will lead this item.

Possible talking points

You may wish to discuss the following with Hon Shaw:

- How is he thinking about the 2030 NDC and the use of international units, and whether this has implications for the ZCB policy decisions?

2. Zero Carbon Bill – potential landing zones on some of the big issues (eg target, roles and functions of the Commission)

We understand that there is generally broad alignment among government agencies about the role and the powers of the Commission, and for adaptation policy. The only exception to this statement, however, is the role of the Commission in relation to Emissions Budgets.

We understand agencies may not currently be aligned on the 2050 Target or on the Emissions Budgets. To resolve these differences and to understand where further analysis is required, MfE has been engaging intensively with agencies in order to finalise its high-level position, informed by agency comment, on Friday 10 August. We expect Hon Shaw will update Ministers on this.

IN-CONFIDENCE

2050 target options

Within the suite of decisions for the Zero Carbon Bill, the 2050 target will have significant medium and long-term economic and fiscal implications. In respect of the 2050 target, there are two main sets of decisions:

1. the **form** of the target; and
2. the **timing** for setting the 2050 target.

For decisions on the **form** of the 2050 target, there are three options:

1. **net zero carbon** by 2050 which means reducing net carbon dioxide emissions to zero, but no other gases like methane would be involved;
2. **net zero long-lived gases and stabilised short-lived gases** by 2050 which means reducing emissions of long-lived gases (including carbon dioxide and nitrous oxide) to net zero while stabilising short-lived gases including methane; and
3. **net zero emissions** by 2050 whereby net emissions across all greenhouse gases are brought down to zero by 2050.

For decisions on the **timing** for setting the target, there are two options:

1. setting the target **“now”** (i.e. as part of Cabinet policy decisions on the Zero Carbon Bill); and
2. setting the target **when the Commission is established**.

Treasury views on 2050 target

In considering the **form** of the 2050 target, we think it is useful to consider the following objectives from the Framework for Climate Change Policy Decisions, agreed by Cabinet on 14 May 2018 (ENV-18-MIN-0011):

- Leadership at home and internationally.
- A productive, sustainable and climate-resilient economy.
- A just and inclusive society.

We are uncertain of the extent to which a **net zero emissions** target reflects greater leadership at home and internationally compared to a **net zero long-lived gases and stabilised short-lived gases** target. This is because short-lived gases (i.e. methane) decay relatively rapidly in the atmosphere and global temperatures can be stabilised without necessarily reducing emissions of these gases to zero.

We expect that a **net zero emissions** target would have greater economic costs than a **net zero long-lived gases and stabilised short-lived gases** target. There were limitations in the ability for economic modelling before the Zero Carbon Bill consultation to estimate relative economic costs between target options. The Ministry for the Environment has commissioned further modelling to improve the understanding of economic impacts between different target options.

IN-CONFIDENCE

Consideration of the **timing** for setting the 2050 target is most relevant if Ministers wish to pursue a **net zero long-lived gases and stabilised short-lived gases** target. If this target form is preferred, officials would still need to identify a specific target level for short-lived gases in 2050. We understand that the Productivity Commission and Parliamentary Commissioner for the Environment will each be releasing commentary in the coming weeks, which will assist in identifying a target level for short-lived gases.

Setting the target when the Commission is established would provide more time to identify a suitable level for short-lived gases, and to understand the implications of the proposed target.

There is a risk that deferring a decision on the 2050 target could impact on the effectiveness of the Interim Climate Change Committee to advise on the potential inclusion of agriculture in the Emissions Trading Scheme (ETS). This is because the desired scale of methane emission reductions under a 2050 target would impact on the merits of including agriculture in the ETS, and the ways in which this inclusion could be designed. This risk could be managed by asking the Interim Committee to provide advice for different methane reduction scenarios.

Possible talking points

You may wish to discuss the following with Hon Shaw:

- What are the relative differences between 2050 target options in terms of international leadership to stabilise global temperatures?
- If Ministers preferred a net zero long-lived gases and stabilised short-lived gases target, how would the government determine a specific target level for short-lived gases?
- If the timing for setting the 2050 target were deferred, would there be any implications for the Interim Climate Change Committee providing advice on agriculture and the Emissions Trading Scheme?

Climate Change Commission

We understand that MfE is likely to determine that the Commission should be an independent Crown entity with advisory and monitoring functions. We agree with this approach.

IN-CONFIDENCE

Possible talking points

You may wish to discuss the following with Hon Shaw:

- How would he ensure that Commissioners (likely 6-10) would cover the necessary set of expertise (including climate change policy, economics, science and local government)?
- Does he see a risk that the Commission focussing on both mitigation and adaptation might dilute the ability of the Commission to provide robust advice in both domains?

Emissions Budgets

Policy development on Emission Budgets is still in process.

Adaptation

The ZCB consultation covered four proposals for climate change adaptation:

- National Climate Change Risk Assessment,
- National Adaptation Plan,
- Regular review of the Plan's implementation, and
- Adaptation Reporting Power

Possible talking points

You may wish to discuss the following with Hon Shaw:

- *[If not covered during discussion on Commission]* Does he see a risk that the Commission focussing on both mitigation and adaptation might dilute the ability of the Commission to provide robust advice in both domains?
- If the Adaptation Reporting Power applied to entities outside of government, how would government ensure that the requirement or obligation isn't overly burdensome?

3. Timeframes for the next few months regarding the Zero Carbon Bill and amendments to the Climate Change Response Act

The ZCB will be introduced in the House on 6 December. This means that final policy decisions on the ZCB are needed by Cabinet on 24 September.

IN-CONFIDENCE

Possible talking points

You may wish to discuss the following with Hon Shaw:

- When does he expect to discuss the ZCB policy proposals with his Ministerial colleagues?

Agenda item 4. Approach to seeking Opposition support for Zero Carbon Bill

Officials will not be present for this item.

Next steps

As noted above, we expect Hon Shaw to undertake consultation with you and ministerial colleagues at some stage between mid-August and mid-September, before final policy decisions on the ZCB are needed by Cabinet on 24 September.

We will provide you further advice to support your consideration of the ZCB proposals. We also intend to provide you advice in September on:

- the overall landscape for climate change strategy and sequence of policy decisions, and
- fiscal implications of climate change policy.

s9(2)(g)(i) [REDACTED], Analyst, Natural Resources, s9(2)(k)

Natalie Labuschagne, Manager, Transition + Regional Economic Development,
s9(2)(k) [REDACTED]