

Reference: 20180537

22 February 2019

Dear [REDACTED]

Thank you for your Official Information Act request, received on 6 December 2018. You requested:

*“copy of any advice sent to Ministers offices relating to cabinet papers or draft cabinet papers on climate change mitigation issues, since November 1st 2018 (all written advice in including briefing notes, draft cabinet papers, aide memoirs, emails). Could this request also please include advice relating to oral discussions at Cabinet or Cabinet committees (on climate change mitigation related issues).”*

On 14 January, I sought an extension of 20 working days. A response to your request is due by 25 February 2019.

### Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	2 November 2018	Aide Memoire: The Zero Emissions Bill	Release in part
2.	15 November 2018	Treasury Report: Emissions Trading Scheme Fixed Price Options – fiscal implications	Release in part
3.	22 November 2018	Email: FW: TSY/MBIE Comment – CCB	Release in part
4.	23 November 2018	Briefing for Cabinet Environment, Energy and Climate Committee 27 November 2018	Release in part
5.	30 November 2018	Briefing for Cabinet Environment, Energy and Climate Committee 5 December 2018	Release in part

6.	7 December 2018	Briefing for Cabinet Environment, Energy and Climate Committee 11 December 2018	Release in part
7.	10 December 2018	Email: FW: ETS CAB Paper – new rec	Release in part
8.	14 December 2018	Briefing for Cabinet Environment, Energy and Climate Committee 19 December 2018	Release in part
9.	18 December 2018	Aide Memoire - [Title withheld]	Release in part

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

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- 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.

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.

Some information has been removed from the release information as it is not relevant to your request.

### **Information to be Withheld**

There are additional documents covered by your request that I have decided to withhold in full under the following section 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.

<b>Item</b>	<b>Date</b>	<b>Document Description</b>	<b>Decision</b>
10.	13 November 2018	Email: Advice for tomorrow's discussion on Option B of the Zero Emissions Bill Cabinet paper	Withhold in full
11.	29 November 2018	Treasury Report: Emissions Trading Scheme Fixed Price Option – Options for managing cash impacts	Withhold in full
12.	4 December 2018	Email: Re: Climate Change Bill – oral item ENV	Withhold in full
13.	4 December 2018	Email: Re: Info for ENV tomorrow	Withhold in full

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

Maria-Krystyna Duval  
**Acting Manager, Transition and Regional Economic Development**

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IN-CONFIDENCE



THE TREASURY  
Kaitohutohu Kaupapa Rawa

Reference: T2018/3143

SH-10-8


Date: 2 November 2018

To: Minister of Finance (Hon Grant Robertson)  
Associate Minister of Finance (Hon Shane Jones)  
Associate Minister of Finance (Hon James Shaw)

Deadline: None  
(if any)

**Aide Memoire: The Zero Emissions Bill**

1. We understand that a Climate Change Ministers meeting will take place on Tuesday 6 November to discuss the Zero Emissions Bill (ZEB).

2.  s9(2)(f)(iv)
3. 

**Key Messages**

-  s9(2)(f)(iv)
- 
- 
-

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s9(2)(f)(iv)

- 
- 

***The Zero Emissions Bill (ZEB)***

s9(2)(f)(iv)

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s9(2)(f)(iv)

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s9(2)(f)(iv)

8.

9. Overall, the modelling shows that economic growth will continue under a transition to a low emissions economy, but at a slower rate compared to a baseline of no further action.

s9(2)(f)(iv)

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s9(2)(f)(iv)

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s9(2)(f)(iv)

**Fiscal Impacts**

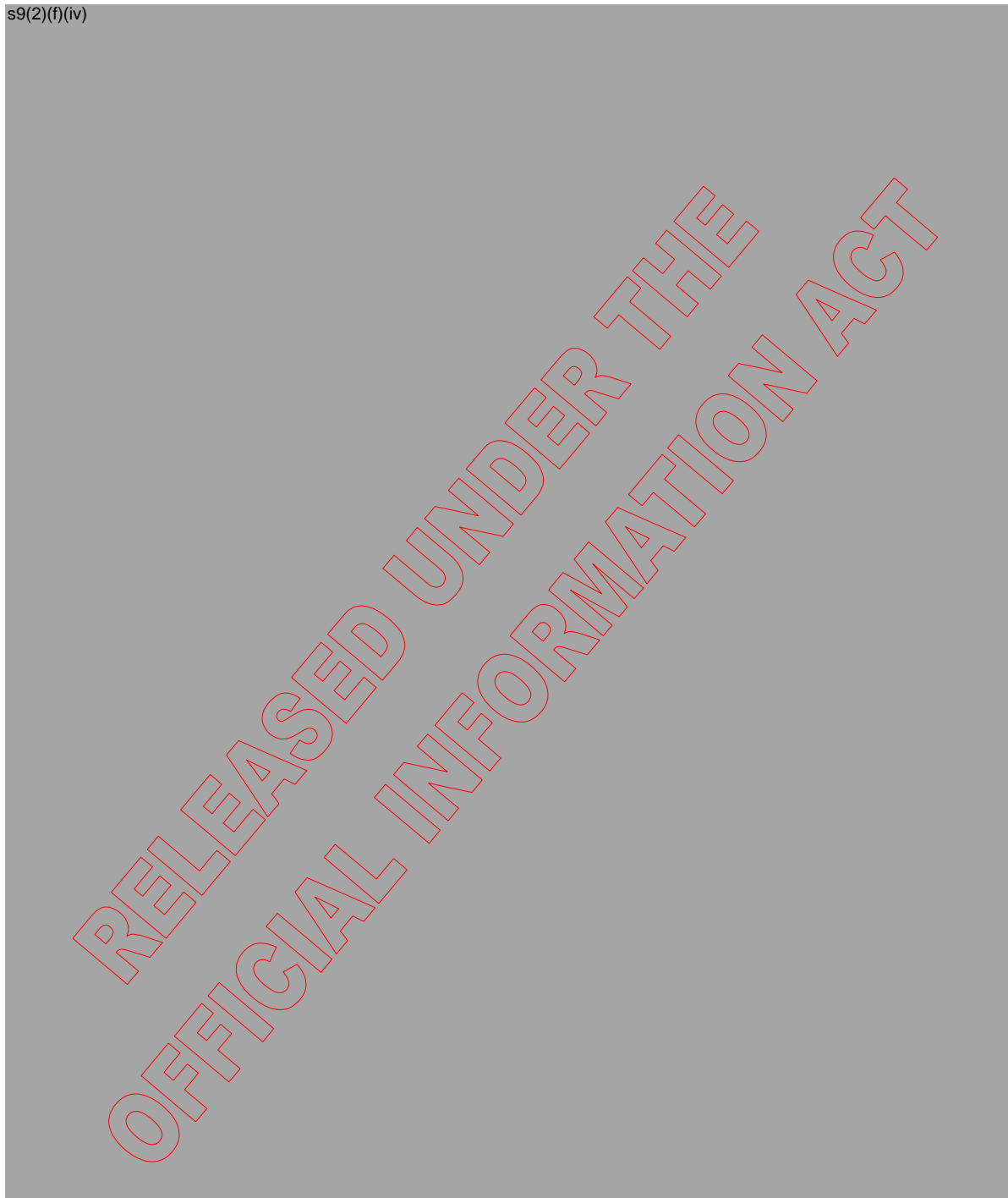
14. s9(2)(f)(iv) It is not possible to define with confidence what the fiscal costs may be, because of dependence on a number of variables including:

- The ultimate effectiveness of the Emissions Trading Scheme (ETS) in reducing emissions across the economy via a price signal, and any revenue the Crown may gain from auctioning units. If the ETS's price signal is decreased (through free allocation of units or exclusion of certain sectors from the ETS, for example), there is a greater likelihood that the Crown will meet some of the cost of emissions reduction through non-ETS measures such as subsidies to clean industrial heat, or increased support for research and development investment.
- The fiscal costs of ensuring a just transition including use of the tax and/or welfare systems to compensate lower income households for increased fuel, electricity or transport costs, or increased investment in education and training for workers.
- The level of co-benefits that materialise, including the avoided costs of climate change induced flooding, drought or sea level rise, which are not included in the model.

15. s9(2)(f)(iv)

**IN-CONFIDENCE**

s9(2)(f)(iv)



Tom Wilson, Senior Analyst, Transition and Regional Economic Development,

s9(2)(k)

Natalie Labuschagne, Policy Manager, Transition and Regional Economic Development, s9(2)(k)

## COMMERCIAL-SENSITIVE


**Treasury Report: Emissions Trading Scheme Fixed Price Option - fiscal implications**

<b>Date:</b>	15 November 2018	<b>Report No:</b>	T2018/3178
		<b>File Number:</b>	SH-10-8

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<b>Note</b> the contents and <b>agree</b> the recommendations	19 November 2018
Associate Minister of Finance (Hon David Parker)	<b>Note</b> the contents	None
Associate Minister of Finance (Hon James Shaw)	<b>Note</b> the contents	None

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
s9(2)(k)	Analyst, Transition and Regional Economic Development	s9(2)(k) (wk)	N/A (mob) ✓
Natalie Labuschagne	Manager, Transition and Regional Economic Development	s9(2)(k) (wk)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

**COMMERCIAL-SENSITIVE****Treasury Report: Emissions Trading Scheme Fixed Price Option - fiscal implications**

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**Purpose**

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1. On Thursday, 1 November, Hon Robertson, Hon Parker and Hon Shaw met and considered options for resolving the risks presented by the Emissions Trading Scheme (ETS) \$25 Fixed Price Option (FPO).
2. s9(2)(f)(iv)
3. Ministers also requested information on messages about decisions on the FPO, including possible messaging to reduce upward pressure on New Zealand Unit (NZU) prices, and the process for raising the FPO in 2019 if this were to be considered.
4. This report provides that advice. It follows recent advice on these matters (T2018/3092, 2018-B-05044 and 2018-B-04936 refer).

**Fiscal implications**

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5. The fiscal implications of Ministers' preferred options depend on future NZU prices, which are uncertain. We modelled several illustrative scenarios to give a sense of potential scale, as summarised in Table 1 and Table 2 overleaf.

**Scenarios**

6. Ministers agreed the FPO would remain at \$25 in 2018/19. For that year, we model two scenarios:
  - 1A. NZU price remains at \$25.10; and
  - 1B. NZU price rises to \$30.
7. Scenario 1A is expected to be reflected in forecasts at the next forecasting round in early 2019 (the current forecasts reflect a lower NZU price and no FPO use). Scenario 1B illustrates the impact of a higher NZU price. While we consider 1A is the more likely of the two, the risk of a higher NZU price remains.

**COMMERCIAL-SENSITIVE****Table 1: Illustrative fiscal implications, 2018/19 (\$ millions)**

Scenario	No FPO increase	
	1A	1B
FPO price	\$25	\$25
NZU price	\$25.10	\$30
<b>OBEGAL – improvement/(deterioration)</b>	<b>398</b>	<b>295</b>
Operating balance – improvement/(deterioration)	(1,024)	(1,901)
<b>Net debt – improvement/(deterioration)</b>	<b>925</b>	<b>925</b>

Source: Ministry for the Environment NZU quantity estimates, Treasury analysis

s9(2)(f)(iv)

**Notes:**

- Estimates should be considered indicative only, and some totals may not sum due to rounding.
- The 2018/19 provision revaluation loss is calculated as the change compared to the 2017/18 year-end provision (\$2,541 million).
- All surrenders are assumed to be through the FPO if the NZU price is higher than the FPO price.
- For simplicity, auctioning is assumed not to be in place before 1 July 2020.

**COMMERCIAL-SENSITIVE***Conclusions*

10. Under the status quo with full use of the FPO in both 2018/19 and 2019/20, the ETS is producing more revenue than it is creating expenses that impact on OBEGAL (see 1A and 2A).
11. The deterioration in OBEGAL if the NZU price exceeds the FPO price by \$5 is around \$100 million (compare for example 2D vs 2E). For each \$1 the NZU price increases above the FPO, OBEGAL deteriorates by around \$20 million.
12. s9(2)(f)(iv)
13. Net debt improves under all scenarios where the FPO is used, as FPO use results in cash being surrendered to the Crown, but this is not a windfall gain as FPO use results in a larger unit stockpile.
14. This could defer revenue from auctioning, or potentially result in the Crown needing to purchase abatement to meet its targets. If auction or abatement prices are higher than \$25, the net impact to the Crown of FPO use will be negative.

*Recommended impacts on allowances*

s9(2)(f)(iv)

**Messaging on the \$25 FPO (source: Ministry for the Environment)**

19. It is important to provide the market with information on the future direction of the ETS, including participants' ability to access the \$25 FPO for the upcoming surrender period (1 Jan – 31 May 2019 for most participants).
20. Market participants' future expectations are crucial to determining the NZU market price, and providing additional information about the future role of the NZ ETS could help to moderate very high NZU price expectations.
21. Fiscal impacts are minimised if the NZU market price remains below the level of the FPO, but the market price will only stay below the FPO level if market participants regard a future price below the FPO level as credible.
22. The higher that the FPO level is, the greater the chance that participants will view a price below this level as consistent with the future climate change ambition of the Government.

**COMMERCIAL-SENSITIVE**

23. We therefore recommend messaging about the \$25 FPO (and the ETS more generally) be provided to the market alongside any s9(2)(f)(iv) [REDACTED]. This will support messaging on the ETS to be seen as coherent with the Government's overall climate change strategy.
24. Previously, public consultation on the ETS signalled that the Government is considering adjusting the price level of the FPO before 2020. This has created uncertainty about whether the status quo will remain for the next surrender period.
25. Market participants will want clarity about their future access to the FPO at \$25. Given Ministers preference to keep the status quo for 2018, we recommend:
- i. a clear statement that the \$25 FPO will remain in place for surrenders due in 2019;
  - ii. reiterating the Government's previous commitment to keeping the FPO in place until it is potentially replaced with the proposed new price ceiling, the cost containment reserve (CCR); and
  - iii. s9(2)(f)(iv) [REDACTED]
26. Key messages that could be signalled (pending Cabinet decisions) include that:
- i. the Government has agreed to a package of decisions to amend the CCRA to improve the framework of the ETS so it can be used to cap emissions to support meeting our Paris Agreement and s9(2)(f)(iv) [REDACTED];
  - ii. the need for regulatory predictability and advanced signalling of any changes has been emphasised by participants during the NZ ETS review and recent consultation;
  - iii. to support ongoing regulatory predictability, the \$25 FPO will remain in place for surrender obligations due in 2019 (covering 2018 emissions);
  - iv. the package of ETS framework decisions includes introducing a simple auctioning mechanism that incorporates a CCR, to eventually replace the FPO (if that is agreed);
  - v. the Government is committed to ensuring that NZU prices remain in line with international emissions reductions. It has agreed to several considerations that must be taken into account when setting future price ceiling levels, and these include international emissions prices and the impact of emissions prices on households and the economy; and
  - vi. it is important that the NZ ETS, and proposed amendments to it, support a stable, just and well-planned transition in line with the Government's overall objectives.
27. We also advise that, to the extent possible, Ministers should also highlight ongoing work to pursue options for international carbon market access. Additional information about potential future access to international emissions reductions may temper market perceptions of the likelihood of very high NZ ETS prices in the medium term.

**COMMERCIAL-SENSITIVE**

s9(2)(f)(iv)

29. The proposed new price ceiling, the CCR, is included in the upcoming package of CCRA amendments to improve the NZ ETS, along with a number of considerations that must be taken into account when setting the CCR price level. If agreed, the CCR would be implemented as part of an auctioning mechanism ahead of 2021.

s9(2)(f)(iv)

**Next Steps**

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33. As Ministers agreed the status quo will be maintained at least for 2018, no immediate Cabinet decision or urgent legislative change is required. However, you indicated you may wish to notify your Cabinet colleagues of the fiscal impacts of leaving the FPO in place. As part of that update, you may wish to inform your colleagues of the key messages for reducing upward pressure on NZU prices noted at para 26. We seek direction below.
34. This could be achieved through an oral item at the 27 November meeting of the Cabinet Environment, Energy and Climate Committee (ENV), to coincide with decisions about the Zero Emissions Bill. A Cabinet paper is unlikely to meet this timeframe.

35. s9(2)(f)(iv)



**COMMERCIAL-SENSITIVE****Recommended Action**

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We recommend that you:

a **note** that on 1 November 2018, Finance, Environment and Climate Change Ministers agreed to maintain the \$25 FPO, at least for the current compliance period;

b s9(2)(f)(iv)

c

d **note** that the Minister of Finance will receive advice about managing the OBEGAL impacts of FPO use through the usual in-year revisions process;

e s9(2)(f)(iv)

f **agree** to provide an oral update at ENV on 27 November of the fiscal impacts of leaving the FPO at \$25 in 2018 and of the key messages to reduce upward pressure on prices.

*Agreed/Not agreed*

Natalie Labuschagne  
**Manager, Transition and Regional Economic Development**

Hon Grant Robertson  
**Minister of Finance**

Hon David Parker  
**Associate Minister of Finance**

Hon James Shaw  
**Associate Minister of Finance**

**From:** Natalie Labuschagne [TSY]  
**Sent:** Thursday, 22 November 2018 3:17 PM  
**To:** ^EXT: Alastair Cameron  
**Subject:** FW: TSY/MBIE Comment - CCB

Hi Alastair,

FYI - please note the joint TSY-MBIE comment to be included in the CCB Cabinet paper.

Natalie

**Natalie Labuschagne** | Manager: Transition and Regional Economic Development | **The Treasury**  
Tel: s9(2)(k) [natalie.labuschagne@treasury.govt.nz](mailto:natalie.labuschagne@treasury.govt.nz)

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**From:** Natalie Labuschagne [TSY]  
**Sent:** Thursday, 22 November 2018 3:15 PM  
**To:** 'Ben Temple'  
**Cc:** Gus Charteris ; Janet Humphris ; Vicki Plater [TSY] (Vicki.Plater@treasury.govt.nz)  
**Subject:** TSY/MBIE Comment - CCB


[IN-CONFIDENCE]

Hi Ben,

As discussed, please find below a joint Treasury-MBIE comment to be inserted into the consultation section of the CCB Cabinet paper. Would you be able to pass this onto the relevant officials for inclusion in the paper?

Thanks!

s9(2)(f)(iv)



s9(2)(f)(iv)

**Natalie Labuschagne** | Policy Manager: Transition and Regional Economic Development | **The Treasury**  
Tel: s9(2)(k) | [natalie.labuschagne@treasury.govt.nz](mailto:natalie.labuschagne@treasury.govt.nz)

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## IN-CONFIDENCE


**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 27 November 2018**

<b>Date:</b>	Friday 23 November	<b>Report No:</b>	T2018/3422
		<b>File Number:</b>	MS-5-3-ENV (ENV Briefing Reports (Cabinet Environment, Energy and Climate Committee))

**Action Sought**

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Read prior to ENV meeting	Tuesday 27 November 5.00pm
Associate Minister of Finance (Hon David Clark)	Read prior to ENV meeting	Tuesday 27 November, 5.00pm
Associate Minister of Finance (Hon David Parker)	Read prior to ENV meeting	Tuesday 27 November, 5.00pm
Associate Minister of Finance (Hon Shane Jones)	Read prior to ENV meeting	Tuesday 27 November, 5.00pm
Associate Minister of Finance (Hon James Shaw)	Read prior to ENV meeting	Tuesday 27 November, 5.00pm

**Contact for Telephone Discussion (if required)**

Name	Position	Telephone	1st Contact
s9(2)(g)(i)	Analyst	s9(2)(k)	N/A (mob) ✓
Natalie Labuschagne	Policy Manager	s9(2)(k)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

## IN-CONFIDENCE

## Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 27 November 2018

### Executive Summary


The Treasury is aware of four items on the Environment, Energy and Climate Committee agenda for Tuesday 27 November. The table below provides Treasury comment and recommendations on each item, and identifies any relevant fiscal impacts.

Description and analysis	Fiscal implications	Treasury Recommendation
<b>Improving the Emissions Trading Scheme for Forestry Participants Part One: Key decisions for permanent forests and operational improvements</b>		
<p>This paper seeks to reduce complexity, compliance costs and unintended consequences from the Emissions Trading Scheme (ETS) for forestry participants. A further tranche of related proposals will be considered early in 2019.</p> <p>The key proposal is to bring the treatment of permanent forests into the ETS, in line with the findings of previous reviews. Other proposals include allowing foresters to cease earning ETS units for a time, rather than pay units back, if a portion of their forest is temporarily destroyed.</p> <p>The proposals received broad support through consultation.</p>	None	Support
<b>Amendments to the Climate Change Response Act 2002 tranche one</b>		
<p>This paper seeks changes to ensure the Emissions Trading Scheme (ETS) is fit-for-purpose to allow New Zealand to meet its international and forthcoming domestic targets. A further tranche of related proposals will be considered early in 2019.</p> <p>The main changes are to implement a framework to cap emissions through unit supply decision-making, auctioning and a price ceiling. Actual supply</p>	None	Support

**IN-CONFIDENCE**

Description and analysis	Fiscal implications	Treasury Recommendation
<p>volumes and price ceiling levels will be considered in the future, and are key to a managed transition.</p> <p>The proposals received broad support through consultation.</p>		
<p><b>Oral Item: Emissions Trading Scheme</b></p>		
<p>This item provides an update on the implications of the market price of New Zealand Units exceeding the \$25 Fixed Price Option (FPO), as it has done recently.</p> <p>Ministers have agreed to maintain the \$25 FPO at least for emissions in 2018.</p> <p>The extent of the fiscal impacts will depend on increases in the market price of New Zealand Units, which is uncertain. Information provided by the Government could help to anchor price expectations and limit upward price pressure.</p>	<p>The impact on OBEGAL and net debt is uncertain, and will be reflected through forecasting rounds.</p>	<p>N/A</p>
<p><b>Proposed Climate Change Bill</b></p>		
<p>The paper seeks to establish an enduring institutional framework for climate change policy in New Zealand by creating:</p> <ol style="list-style-type: none"> <li>1) the process to legislate emissions reductions target(s);</li> <li>2) the process to set emissions budgets;</li> <li>3) the process to establish an independent Climate Change Commission; and</li> <li>4) the mandate to carry out National Climate Change Risk Assessments and to implement corresponding National Adaptation Plans.</li> </ol>	<p>The paper seeks to drawdown on the tagged contingency “Establishment of the Independent Climate Change Commission” established as part of Budget 2018.</p> <p>It seeks drawdown of the entire contingency (\$2.207 million operating and \$0.150 million capital) to help meet the costs of establishing the Climate Change Commission and to fund the National Climate Change Risk Assessment.</p>	<p><b>Partial support</b></p> <p><i>The Treasury supports</i> the objectives of the paper to create the necessary conditions for New Zealand to transition to a low-emissions economy, and many of the recommendations in the paper.</p>

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<b>Description and analysis</b>	<b>Fiscal implications</b>	<b>Treasury Recommendation</b>
		s9(2)(f)(iv) 

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**Recommended Action**

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We recommend that you **read** this report prior to the Cabinet Environment, Energy and Climate Committee meeting at 05:00 PM on 27 November 2018.

Natalie Labuschagne  
**Policy Manager**

Hon Grant Robertson  
**Minister of Finance**

Hon David Clark  
**Associate Minister of Finance**

Hon Shane Jones  
**Associate Minister of Finance**

Hon David Parker  
**Associate Minister of Finance**

Hon James Shaw  
**Associate Minister of Finance**



## IN-CONFIDENCE


**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 5 December 2018**

<b>Date:</b>	30 November 2018	<b>Report No:</b>	T2018/3534
		<b>File Number:</b>	MS-5-3-ENV (ENV Briefing Reports (Cabinet Environment, Energy and Climate Committee))

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<b>Read</b> prior to ENV meeting	Wednesday 5 December, 8am
Associate Minister of Finance (Hon David Clark)	<b>Read</b> prior to ENV meeting	Wednesday 5 December, 8am
Associate Minister of Finance (Hon David Parker)	<b>Read</b> prior to ENV meeting	Wednesday 5 December, 8am
Associate Minister of Finance (Hon Shane Jones)	<b>Read</b> prior to ENV meeting	Wednesday 5 December, 8am
Associate Minister of Finance (Hon James Shaw)	<b>Read</b> prior to ENV meeting	Wednesday 5 December, 8am

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
s9(2)(g)(i)	Analyst	s9(2)(k)	N/A (mob) ✓
Natalie Labuschagne	Policy Manager	s9(2)(k)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

**IN-CONFIDENCE**

**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 5 December 2018**

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**Executive Summary**

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The Treasury is aware of three items on the Environment, Energy and Climate Committee agenda for Wednesday 5 December. The table below provides Treasury comment and recommendations on each item, and identifies any relevant fiscal impacts.

Description and analysis	Fiscal implications	Treasury Recommendation
<b>Oral Item: Climate Change Targets</b>		
s9(2)(f)(iv)	None	s9(2)(f)(iv)
<b>Amendments to the Climate Change Response Act 2002: Tranche One</b>		
<p>This paper seeks changes to ensure the Emissions Trading Scheme (ETS) is fit-for-purpose to allow New Zealand to meet its international and forthcoming domestic targets. A further tranche of related proposals will be considered early in 2019.</p> <p>The main changes are to implement a framework to cap emissions through unit supply decision-making, auctioning and a price ceiling. Actual supply volumes and price ceiling levels will be considered in the future, and are key to a managed transition.</p> <p>The proposals received broad support through consultation.</p>	None	Support

**IN-CONFIDENCE**

Description and analysis	Fiscal implications	Treasury Recommendation
<p><b>Improving the Emissions Trading Scheme for Forestry Participants Part One: Key Decisions for Permanent Forests and Operational Improvements</b></p>		
<p>This paper seeks to reduce complexity, compliance costs and unintended consequences from the Emissions Trading Scheme (ETS) for forestry participants. A further tranche of related proposals will be considered early in 2019.</p> <p>The key proposal is to bring the treatment of permanent forests into the ETS, in line with the findings of previous reviews. Other proposals include allowing foresters to cease earning ETS units for a time, rather than pay units back, if a portion of their forest is temporarily destroyed.</p> <p>The proposals received broad support through consultation.</p>	<p>None</p>	<p>Support</p>

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**Recommended Action**

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We recommend that you **read** this report prior to the Cabinet Environment, Energy and Climate Committee meeting at 8am on Wednesday 5 December 2018.

Natalie Labuschagne  
**Policy Manager, Transition and Regional Economic Development**

Hon Grant Robertson  
**Minister of Finance**

Hon David Clark  
**Associate Minister of Finance**

Hon Shane Jones  
**Associate Minister of Finance**

Hon David Parker  
**Associate Minister of Finance**

Hon James Shaw  
**Associate Minister of Finance**

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## IN-CONFIDENCE


**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 11 December 2018**

<b>Date:</b>	Friday 7 December	<b>Report No:</b>	T2018/3640
		<b>File Number:</b>	MS-5-3-ENV (ENV Briefing Reports (Cabinet Environment, Energy and Climate Committee))

**Action Sought**

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Read prior to ENV meeting	Tuesday 11 December, 5.00pm
Associate Minister of Finance (Hon David Clark)	Read prior to ENV meeting	Tuesday 11 December, 5.00pm
Associate Minister of Finance (Hon David Parker)	Read prior to ENV meeting	Tuesday 11 December, 5.00pm
Associate Minister of Finance (Hon Shane Jones)	Read prior to ENV meeting	Tuesday 11 December, 5.00pm
Associate Minister of Finance (Hon James Shaw)	Read prior to ENV meeting	Tuesday 11 December, 5.00pm

**Contact for Telephone Discussion (if required)**

Name	Position	Telephone	1st Contact
s9(2)(g)(i)	Analyst	s9(2)(k)	N/A (mob) ✓
Gwen Rashbrooke	Manager	s9(2)(k)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

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**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 11 December 2018**

**Executive Summary**

The Treasury is aware of four items on the Environment, Energy and Climate Committee agenda for Tuesday 11 December. The table below provides Treasury comment and recommendations on each item, and identifies any relevant fiscal impacts.

Description and analysis	Fiscal implications	Treasury Recommendation
<b>Proposed Climate Change Bill</b>		
<p>The Cabinet paper seeks to establish an enduring institutional framework for climate change policy in New Zealand by creating:</p> <p>s9(2)(f)(iv)</p> <ul style="list-style-type: none"> <li>the process to set s9(2)(f)(iv) emissions budgets;</li> <li>the process to establish an independent Climate Change Commission; and</li> <li>the mandate to carry out National Climate Change Risk Assessments and to implement corresponding National Adaptation Plans.</li> </ul>	<p>The paper seeks to drawdown on the tagged contingency "Establishment of the Independent Climate Change Commission" established as part of Budget 2018.</p> <p>It seeks drawdown of the entire contingency (\$2,207 million operating and \$0.150 million capital) to help meet the costs of establishing the Climate Change Commission and to fund the National Climate Change Risk Assessment.</p>	<b>Support</b>
s9(2)(f)(iv)		
s9(2)(f)(iv)	s9(2)(f)(iv)	<b>Support</b>

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Deleted - Not Relevant to Request

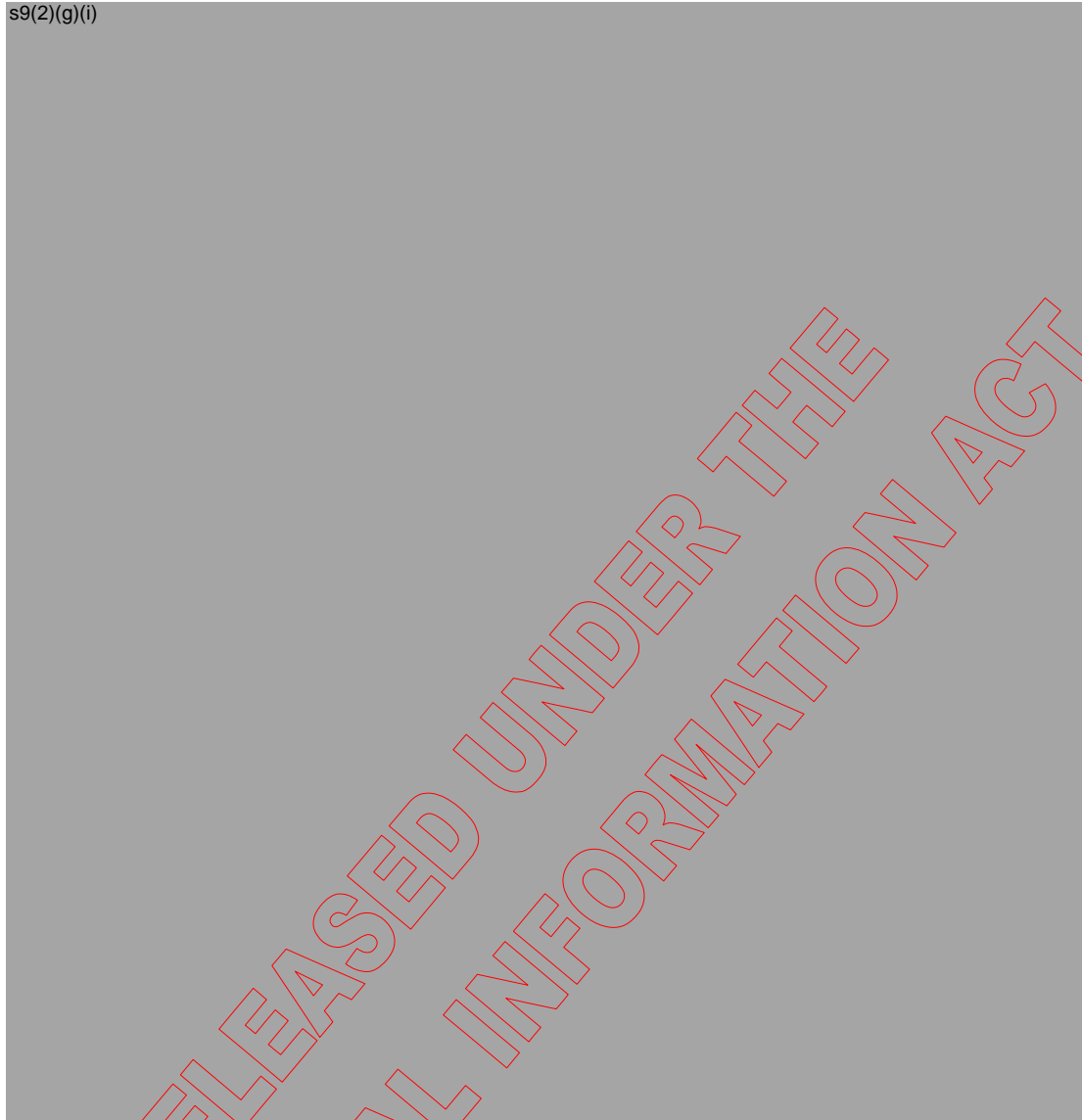
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s9(2)(g)(i)



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**IN-CONFIDENCE**

**Recommended Action**

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We recommend that you **read** this report prior to the Cabinet Environment, Energy and Climate Committee meeting at 05:00 PM on 11 December 2018.

Gwen Rashbrooke  
**Manager, Natural Resources**

Hon Grant Robertson  
**Minister of Finance**

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**Emma Davey [TSY]**

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**From:** Natalie Labuschagne [TSY]  
**Sent:** Monday, 10 December 2018 3:30 PM  
**To:** Maria-Krystyna Duval [TSY]  
**Subject:** FW: ETS CAB paper - new rec

**Importance:** High

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**From:** s9(2)(g)(i) @treasury.govt.nz  
**Sent:** Monday, 10 December 2018 12:44 PM  
**To:** Natalie Labuschagne [TSY] <Natalie.Labuschagne@treasury.govt.nz>  
**Subject:** ETS CAB paper - new rec  
**Importance:** High

[IN-CONFIDENCE]

Hi Alastair

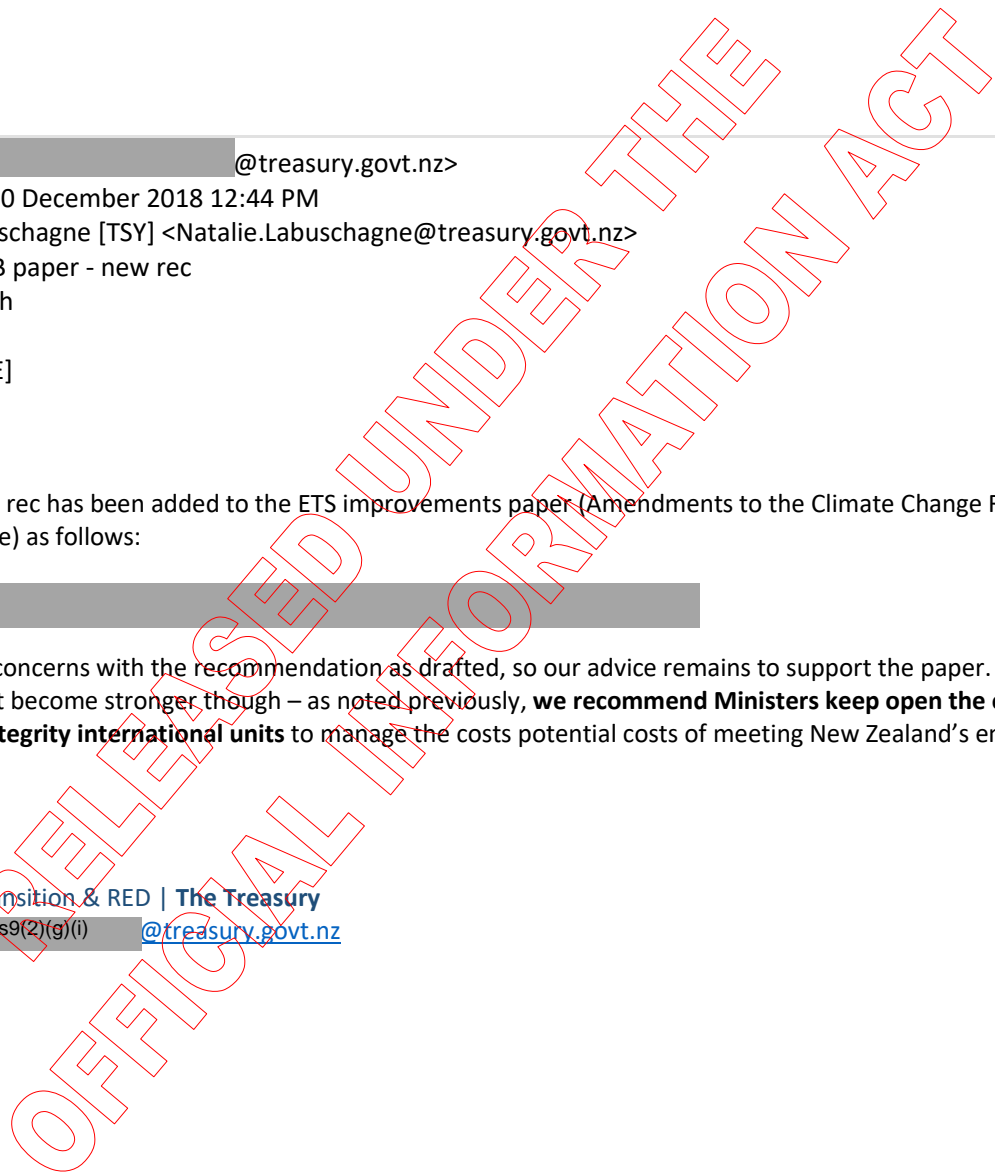
We understand a rec has been added to the ETS improvements paper (Amendments to the Climate Change Response Act 2002: tranche one) as follows:

s9(2)(f)(iv)

We do not have concerns with the recommendation as drafted, so our advice remains to support the paper. We would not want to see it become stronger though – as noted previously, **we recommend Ministers keep open the option to purchase high-integrity international units** to manage the costs potential costs of meeting New Zealand’s emissions targets.

Regards

s9(2)(g)(l) | Transition & RED | The Treasury  
s9(2)(k) s9(2)(g)(i) @treasury.govt.nz



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**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 19 December 2018**

<b>Date:</b>	14 December 2018	<b>Report No:</b>	T2018/3727
		<b>File Number:</b>	MS-5-3-ENV (ENV Briefing Reports (Cabinet Environment, Energy and Climate Committee))

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<b>Read</b> prior to ENV meeting	Wednesday 19 December, 3.30pm
Associate Minister of Finance (Hon David Clark)	<b>Read</b> prior to ENV meeting	Wednesday 19 December, 3.30pm
Associate Minister of Finance (Hon David Parker)	<b>Read</b> prior to ENV meeting	Wednesday 19 December, 3.30pm
Associate Minister of Finance (Hon Shane Jones)	<b>Read</b> prior to ENV meeting	Wednesday 19 December, 3.30pm
Associate Minister of Finance (Hon James Shaw)	<b>Read</b> prior to ENV meeting	Wednesday 19 December, 3.30pm

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
s9(2)(g)(i)	Analyst	s9(2)(k)	n/a (mob) ✓
Natalie Labuschagne	Policy Manager	s9(2)(k)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

**IN-CONFIDENCE**

**Treasury Report: Briefing for Cabinet Environment, Energy and Climate Committee 19 December 2018**

**Executive Summary**

The Treasury is aware of three items on the Environment, Energy and Climate Committee agenda for Wednesday 19 December. The table below provides Treasury comment and recommendations on each item, and identifies any relevant fiscal impacts.

Description and analysis	Fiscal implications	Treasury Recommendation
<b>Proposed Climate Change Bill</b>		
<p>The paper seeks to establish an enduring institutional framework for climate change policy in New Zealand by creating:</p> <ol style="list-style-type: none"> <li>1) s9(2)(f)(iv)</li> <li>2) the process to set s9(2)(f)(iv) emissions budgets;</li> <li>3) the process to establish an independent Climate Change Commission; and</li> <li>4) the mandate to carry out National Climate Change Risk Assessments and to implement corresponding National Adaptation Plans.</li> </ol>	<p>The paper seeks to drawdown on the tagged contingency "Establishment of the Independent Climate Change Commission" established as part of Budget 2018.</p> <p>It seeks drawdown of the entire contingency (\$2.207 million operating and \$0.150 million capital) to help meet the costs of establishing the Climate Change Commission and to fund the National Climate Change Risk Assessment.</p>	<p><b>Partial support</b></p> <p><i>The Treasury supports</i> the objectives of the paper to create the necessary conditions for New Zealand to transition to a low-emissions economy, and many of the recommendations in the paper.</p> <p>s9(2)(f)(iv)</p>

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**Recommended Action**

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We recommend that you **read** this report prior to the Cabinet Environment, Energy and Climate Committee meeting at 8am on Wednesday 5 December 2018.

Natalie Labuschagne  
**Policy Manager, Transition and Regional Economic Development**

Hon Grant Robertson  
**Minister of Finance**

Hon David Clark  
**Associate Minister of Finance**

Hon Shane Jones  
**Associate Minister of Finance**

Hon David Parker  
**Associate Minister of Finance**

Hon James Shaw  
**Associate Minister of Finance**

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Reference: T2018/3757

SH-10-8

Date: 18 December 2018

To: Associate Minister of Finance (Hon Shane Jones)  
 Cc: Minister of Finance (Hon Grant Robertson)  
 Associate Minister of Finance (Hon Dr David Clark)  
 Associate Minister of Finance (Hon David Parker)  
 Associate Minister of Finance (Hon James Shaw)

Deadline: 18 December 2018  
(if any)

**Aide Memoire:**

s9(2)(f)(iv)

1. We understand that a special Cabinet Environment, Energy and Climate Committee (ENV Committee) has been convened at 3.30pm on Wednesday 19 December for a further discussion about the Climate Change Bill Cabinet paper. This Aide Memoire, requested by your office, provides context to support discussion about the s9(2)(f)(iv) at the ENV Committee meeting.

**Key Messages**

2. s9(2)(f)(iv)
- 3.
- 4.
- 5.

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6. s9(2)(f)(iv)

7.

***A just transition***

8. s9(2)(f)(iv)

9.

- 10. Recognising that the transition to a low-emissions economy would affect some regions more than others, the Government set up a Just Transition Unit at the Ministry of Business, Innovation and Employment (MBIE) and a Transition Hub at the Ministry for the Environment (MfE) earlier this year.
  
- 14. The Just Transition Unit is working closely with the Transition Hub, sharing knowledge and expertise to create a comprehensive understanding of the impact of climate change policy decisions. This understanding will inform further thinking on how policy levers could be used to assist and support the transition process.
  
- 15. Against this backdrop, we have endeavoured to provide you with additional information about potential regional impacts below.

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s9(2)(f)(iv)

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s9(2)(f)(iv)

**Modelling planned in 2019**

18. Agencies will undertake further analysis to understand what transition pathways to reach the Target. The following agencies have forward work programmes as follows:
- The Ministry for Primary Industries (MPI) is commissioning further analysis to inform future choices about policies to meet the Target, including analysis of options currently being considered by the Interim Climate Change Committee. This analysis will provide Ministers with a national, regional and sectoral understanding of the potential impacts of these policies.
  - MfE's Transition Hub is currently developing a tool to provide better information to Ministers on the industry-, regional- and household-distributional impacts of policy choices and to better inform the impact analysis of complementary policy levers designed to act in conjunction with policies to drive the transition. This tool will be the first of its kind for New Zealand and will greatly enhance the Government's ability to make policy decisions to alleviate distributional impacts.
  - MBIE is also undertaking work on data needs for determining distributional aspects of the transition to a low-emissions economy, as part of its Just Transition work programme.
19. Officials will continue to provide Ministers with further advice and analysis with respect to upcoming policy choices.
20. In preparing this Aide Memoire, we have consulted with MfE, MBIE, and MPI, as they hold modelling and regional information.

Maria-Krystyna Duval, Senior Analyst, Transition and Regional Economic Development, s9(2)(k)

Natalie Labuschagne, Policy Manager, Transition and Regional Economic Development, s9(2)(k)

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