



# Cabinet Environment, Energy and Climate Committee

## Minute of Decision

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### Amendments to the Climate Change Response Act 2002: Tranche Two

#### Portfolio                      Climate Change

On 14 March 2019, the Cabinet Environment, Energy and Climate Committee:

- 1        **noted** that the New Zealand Emissions Trading Scheme (NZ ETS) is the government's key tool to support New Zealand to meet emissions reduction targets and transition to a low-emission future;
- 2        **noted** that Cabinet has agreed to tranche one amendments to the Climate Change Response Act 2002 and these amendments are currently being drafted [CAB-18-MIN-0606.01];
- 3        **noted** that the improvements to the NZ ETS will assist New Zealand to achieve its international and domestic emissions targets, and help ensure a just and inclusive transition to a low-emission economy;
- 4        **noted** that the government response to the Productivity Commission's Low-emissions Economy report will outline the government's strategy, priorities, and sequencing for the transition to a low-emission economy;
- 5        **noted** that the improvements to the NZ ETS broadly support the recommendations of the Productivity Commission's Low-emissions Economy Final Report and the Tax Working Group report;
- 6        **noted** that the Minister for Climate Change and the Minister of Forestry (in relation to forestry proposals) will present a series of papers to Cabinet shortly on the issues comprising tranche two amendments;
- 7        **noted** that tranches one and two will form a single Climate Change Response Amendment Bill, to be introduced to the House in mid-2019;
- 8        **noted** that tranche two will include:
  - 8.1      how to phase down industrial allocation;
  - 8.2      strengthening the compliance regime;
  - 8.3      improving market governance of the NZ ETS,
  - 8.4      improving transparency in the NZ ETS;
  - 8.5      addressing a legacy issue related to the Kyoto Protocol;

- 8.6 transitional measures to move from the fixed price option price ceiling to the cost containment reserve;
- 8.7 enabling a price floor to be implemented in future, if desired;
- 8.8 further improvements to forestry operations in the NZ ETS;
- 8.9 changes to NZ ETS forestry accounting rules that will help incentivise afforestation and better align with future international accounting rules;
- 9 **noted** that many of the amendments to the CCRA will give Cabinet the power to create regulations giving effect to the decisions made in tranches one and two;
- 10 **noted** that the introduction of auctioning, as agreed in tranche one, will generate funds for the government in future;
- 11 **noted** that decisions on how to use the funds generated from auctioning should be considered alongside a wider discussion by Ministers on climate change spending priorities within the government's Budget process;
- 12 **noted** that the Minister for Climate Change intends to return to Cabinet in early April 2019 seeking approval to consult on the Interim Climate Change Committee's recommendations on agricultural emissions;
- 13 **noted** the Minister for Climate Change will return to Cabinet by:
- 13.1 July 2019 to seek approval for consultation on proposals for the NZ ETS regulations, intended to take place alongside select committee consultation on the CCRA amendment bill;
- 13.2 the end of 2019 to approve the regulations, so they can come into effect with the passing of the CCRA amendment bill;
- 14 **noted** that, in order to pass the CCRA amendment bill by the end of 2019, the select committee period will be four months;
- 15 **noted** that the Minister for Climate Change will manage public announcements on the proposed amendments to the CCRA and the CCRA amendment bill, in consultation with other Ministers.

Vivien Meek  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon Grant Robertson  
Hon Dr Megan Woods  
Hon David Parker (Chair)  
Hon Stuart Nash  
Hon Damien O'Connor  
Hon Shane Jones  
Hon James Shaw  
Hon Eugenie Sage

**Officials present from:**

Officials Committee for ENV

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Minister for Climate Change