

POST-CABINET PRESS CONFERENCE: MONDAY, 18 DECEMBER 2017

PM: All right, as this is our last one for the year, can I wish you all a Merry Christmas and reiterate: why are we all still here? I am very aware, of course, many people will be moving into Christmas mode. That doesn't stop Cabinet from continuing to plough on with our busy agenda. This week we are announcing, together alongside Minister Shaw, the first steps towards a zero-carbon Act. Cabinet has agreed a process of consultation through the 2018 year to help draft the legislation that will eventually come before Parliament. We will also use that process to talk about the role of an independent climate commission. We acknowledge, though, that there is a lot of work to be done, which is why an interim commission will be established in order to start preparing advice for the Government. Our aim is to have the bill introduced by October 2018. I'll hand over to the Minister to give a few other introductory comments.

Minister Shaw: Thank you, Prime Minister. Good afternoon. So by the end of this Parliament our goal is to have put in place the framework that will guide our economy towards a net zero emissions economy by the year 2050. And, as the Prime Minister said, today Cabinet agreed a process by which we will develop that framework with all New Zealanders, communities, unions, and business. So over the next year we'll set out to develop a zero-carbon Act, which will set the new ambitious emissions reduction target for 2050. We'll establish the independent climate commission to hold Governments to account for meeting those budgets, and we'll coordinate the public sector around our climate change goals. I understand the Prime Minister's got a few other things to announce, so we'll be taking some questions about the detail of it towards the end.

PM: Thank you, Minister. Just to give you a further indication of the things we'll be progressing this week before Parliament rises, we will be introducing into the House a bill on medicinal cannabis. There will be further progress on our 100-day commitments around the minimum wage. We will have the first reading of the foreign buyer ban legislation, and there will be further Pike River announcements, which relate to appointments to progressing that piece of work.

Christmas: just because you may or may not be interested, I will be heading to Gisborne for Christmas this year to spend with my family and Clarke's family. I'll be spending a brief amount of time in Australia. That means that the Acting Prime Minister from the 31st to 3rd January will be Winston Peters, our Deputy Prime Minister, and then from the 3rd to the 6th, because some of our Ministers will be otherwise engaged in an event for one of our Cabinet Ministers, the Acting Prime Minister will be Grant Robertson.

Any questions? I will be prioritising those questions that have festive cheer. Ha, ha! Andrea.

Media: For those who supported medicinal cannabis, can you just explain what the bill will say tomorrow?

PM: No, not until the bill is announced by the Minister. So I'll leave him to make that announcement and to share those details.

Media: What about the minimum wage commitments? What are those?

PM: Yeah, as we've already indicated, as a Government supported obviously by the Green Party and the New Zealand First Party, we are looking to increase the minimum wage to \$16.50 from April. Of course, we have a wider commitment to move incrementally by April 2021 to \$20. This is the first move along that path.

Media: Did you receive any advice from MBIE today about the minimum wage increase?

PM: That would be a question for the Minister, keeping in mind of course, this is a decision that goes through a different process—the Order in Council for minimum wage.

Media: Arguably, in the spirit of Christmas, the Australians have abandoned legislation that would see Kiwi students pay more to go to university, broadly because they weren't going to pass the [*Inaudible*] anyway, but what do you make of the fact that the Government is now not pursuing these changes?

PM: Oh, look, regardless of what has finally led to that final outcome, it certainly is very pleasing from this Government's perspective that we will see New Zealand students in Australia continue to be able to access tertiary education over there in the same way that they have in the past.

Media: Do you have a heads-up from the Australian Government?

PM: Yes. Yes, I did receive a message from the Prime Minister to indicate that that was the outcome.

Media: When was that?

PM: Oh, a few days ago.

Media: In terms of the climate commission, how can the Government continue to give grants to mining when you've got a commission that's looking at long-term [*Inaudible*] climate change?

PM: Yeah, look, we've always been really clear. We do, as a nation, need to transition. What we've had in our first few weeks are a couple of issues come to us where we've realised we've actually, as a Government, had no discretion on some of the decisions that we've had put before us to take into account things like environmental impacts. That's something we want to change. More broadly, though, we have said we need to transition. Our future isn't in fossil fuels, but this is going to take us some time. As a starting point, we have, of course, said we want to stop all mining—future mining—on the conservation estate.

Media: Do you expect this commission to look at the area of mining?

PM: Oh, look, no doubt. They are going to undertake things like carbon budgeting, which will give us a good steer of what it will take to reach our goals. Minister, do you want to say anything further on that?

Minister Shaw: Yeah, I mean, the whole point of the zero carbon Act and the independent climate commission is to provide a long-term pathway and some, I guess, assurance to industry, no matter which industry they're in—what that pathway that is, because, for the last couple of decades, there's been a real lack of clarity there and it's meant that, you know, people have been in a kind of unstable environment in which to invest. So we'll be able to provide that level of clarity for industry. And it will be looking at all sectors and saying, well, you know, "How can we reduce our emissions?" But not just "How can we reduce them?", "How can we also prepare for the future and ensure that as we do transition, that people end up with jobs that are actually better than the ones they've got now, that pay better than the ones that they do now?"

Media: Are you transitioning fast enough, do you think?

Minister Shaw: We've got a pretty steep curve if we're going to hit net zero by 2050, but, I mean, that's true of the whole planet, right? I mean, we've been talking about this for a number of decades. I think everyone, not just New Zealand but all around the world, is waking up to the reality that it's time for a little less conversation and a little more action.

Media: How are you going to hit that target, though, in 2050 if the economy continues to rely on agriculture? It's just not realistic, is it?

PM: Well, I would say that there's a lot of room for us, within the agricultural frame, to make good technological advancements. We're seeing that, for instance, even the type of feed that you use, the way you graze, can make a difference to our emissions profile. The issue we have is making sure that we are undertaking that research, that we are at the front of the pack when it comes to making those advancements, which is why we've always

indicated that having a comprehensive regime is one way that we can incentivise that work and that research being undertaken.

Media: So how is the Government going to encourage that science for long? Because I know the National Government talked about this for about, you know, the entire time they were in Government but not much progress was actually made in this area.

PM: Yeah, and that's something that the climate commission, as we start budgeting, creating carbon budgets and really see what it's going to take for us to reach our goals, how much we'll have to reduce down our emissions by in different areas—that really will, I think, start propelling some of that work. We've also talked about phasing in agriculture into our emissions trading scheme. That's the point where we really would have a game-changer in the way that we deal with these issues. But also, it means that we start looking seriously at mitigation around planting of trees in order to offset some of those costs as well.

Media: When the National Party announced Predator Free 2050, the Green Party called it lip-service because the target was so far away. What's different about this target?

Minister Shaw: We called it lip-service because they didn't put any money into it. So we're a big believer in becoming a predator-free country, and all of the co-benefits that that would have—that come alongside it—but the amount of funding that went into it was absolutely anaemic, and so, you know, what we said is that, actually, if you're serious about that target, you actually need to fund it properly.

Media: So this target will be fully, properly funded?

Minister Shaw: Well, this is, you know, about the whole economy, right? So this is a transition plan over the course of the next 30 years that covers pretty much every sector that we've got, and so, anyway, as the Prime Minister has said, we need to have transition plans in place for all of those sectors. Some of those are further ahead; some of them we're just getting out of the gate. And, in answer to Andrea's, sort of, previous point about agriculture, part of the reason why we're setting up the interim commission is to do some of the background work and research that's required to build on the work that's been happening over the course of the last few years, but also to expand it out to other areas. So that by the time we get around to take that decision-making point, we've got the research base that we need.

Media: But if you're not introducing the bill until October next year, what's going to take so long?

Minister Shaw: Well, there's quite a lot of economic research that we have to do that relates to right across the economy. The last set of macro-economic research that we did wasn't done—hasn't been redone since about 2013-14, about then. And even then, it was a sort of a once over lightly approach. It had very narrow parameters and made a number of assumptions that were kind of wildly incorrect. And so, actually, all of that work has to be updated. We want to make sure that when we introduce the Act that it's based on really solid evidence and that we've had good consultation right across the economy, in particular, with key stakeholders in business, in the unions, and with communities and so on.

PM: It doesn't mean that all of our ambition around climate change goes on hold while the legislation is being drafted. We have, for instance, an ambition to move to 100 percent renewable energy generation by 2035. We have to make sure that we continue to make progress on that, and things like our commitments around tree planting. All of that continues.

Media: We're getting to the interim commission, will they be the ones that decide whether or not to include agriculture into the ETS?

PM: They will do some groundwork, but, of course, we've said the climate commission ultimately makes those decisions. But we want them to get a head start.

Media: When do you think that decision's going to come?

PM: Oh, look, that's for the climate commission to establish. As we've said, we'll get them under way so that they can start some of that work. And their work goes well beyond just that question, though, of course.

Media: Are you hoping that you can make this a non-partisan process—

PM: Yes.

Media: —to get the Opposition on board and to make it an independent commission, it doesn't just get wiped out when there's a change of Government?

PM: Yeah, look, this—as I think I've said before, there are two issues where I hope that we're able to build broad consensus around goals going forward and our legislative framework on how to tackle them. The first was child poverty—I still have that ambition that we might get cross-party support for that—and the second is climate change. We cannot, every election cycle—every time there's a change of Government—have another conversation around climate change when, actually, it's got to be less about a conversation on target-setting, and moving on to establishing what our action plan is and sticking to it.

Minister Shaw: Yeah, Bernard, that's one of the reasons why we're taking our time, because not only do we need that evidence base, but we want to make sure that our process is really thorough, and that we've crossed all of the t's and dotted all the i's—that we've included the Opposition, we've included business, we've included farmers and the agricultural community, we've included the energy companies and the communities where they operate, to make sure that they feel that they've been a part of that process before we even introduce the legislation.

Media: So why are you setting up an interim commission?

Shaw: It's simply an issue of timing. So, because we have said that the commission will make a couple of decisions in relation to how agriculture relates to the emissions trading scheme, in terms of the transition plan for the 100 percent renewable electricity target—that work needs to start in order for us to get it done by the time we actually finish this Parliament. So, as the Prime Minister said, we want that work to be under way and then once the zero carbon Act passes in the first half of 2019, that work will have largely been done and it can pass that work on to the new commission for it to make any decisions.

So the new commission will be making those decisions, but it will be able to do so with the benefit of having 12 to 18 months' worth of background work already done.

Media: When do you expect to set up and name that interim commission?

Shaw: So probably about March/April next year.

Media: Just on medicinal cannabis, have you told the Greens what the contents of that legislation will be, and do you think it will go as far they would like around cultivation—

PM: So, Nick, it's not a matter of "telling the Greens". They are our confidence and supply partner. We've had conversations alongside them in the development of this legislation. So, yes, they have been involved, as has New Zealand First.

Media: [*Inaudible*] they would like around cultivation and—

PM: Oh, look, what we will be producing is what we have enough support in the House to pass. There is, of course, another bill before Parliament that also exists, and I understand that members will have other options in that regard, but what we are producing is a bill that we know has the support of the House to get through.

Media: And will the other bill progress? You're not going to withdraw that other bill?

Minister Shaw: No, it's a member's bill in the name of Chlöe Swarbrick. Of course, it was drafted by Julie Anne Genter and then was drawn just before the election. So that, as the Prime Minister said, will be in there as an option, but the good news is that we know that there is also a Government bill that has the numbers to pass the House. If we can also get the numbers for the other bill, well that's great.

Media: Isn't that just a big waste of time?

PM: No, no, not at all, because we've undertaken that we would improve on the status quo, and we're doing that. And we can guarantee with the bill that we've got, we've got the ability to do that. We can't guarantee that with a member's bill.

Media: So the member's bill, is it quite different from the one—

PM: There are differences and you'll see that when the bill' is introduced.

Media: PM, on the foreign homebuyer's ban, we've sort of taken it over to Treasury, said that there might be some suboptimal or unintended consequences of this bill, and there's only low evidence of it actually reducing house prices. Are you confident that you won't have unintended consequences and it will reduce house prices?

PM: Yeah, well look, I can only base that assumption on the data that's available and we've often talked about the fact that the data is incomplete. It's never properly sized the issue. To the first point, though, around unintended consequences, we absolutely acknowledge we have had to draft this bill quickly, and we've had to do that because in order for it to take effect successfully and not have a knock-on effect for our trade agreements, we had to have it in place before the final version of TPP 11 finishes. So, yes, we would have liked more time to develop it, but if we find that trade agreement negotiation gives us a bit more time up our sleeves, we'll try and use that in select committee so that we are really able to traverse all of those issues that have been raised.

Media: If the TPP negotiations blow out a little bit you might be able to—

PM: Yes.

Media: —take more time.

PM: Yes, if have enough lead-time to know that's happening, we'll take that extra time if we can in the select committee process.

Media: What's the current situation with the Singaporean re-negotiation?

PM: Look, we've always acknowledged there that was the one agreement where we had an existing agreement that allowed Singaporean citizens to purchase in New Zealand. I'm yet to catch up with our trade Minister around where he's got to on that issue. I intend to do that very soon.

Media: Just with the waka-jumping legislation, are the Green Party going to get anything out of that deal, given their longstanding position against that legislation?

PM: Get anything out of that deal?

Media: Get anything in that [*Inaudible*] type scenario?

PM: Look, my understanding is that they've supported that bill to select committee and want to make sure it's the best piece of legislation it can be.

Media: Isn't that quite [*Inaudible*] for Green Party voters, given their opposition to it?

Minister Shaw: We got a number of concessions around the design of the bill that we're really happy with and that meant that we felt that we could vote for it. And I particularly want to acknowledge the justice Minister, Andrew Little, for working with us on that. So he was really constructive. He sat down and said, "Well, what are your concerns about the design of that bill?" We went through them and went through, I think, three or four different modifications, all of which he put into the bill.

Media: Can you outline those concessions?

Hon James Shaw: There were—this is just off the top of my head—the—

PM: Sometimes these discussions lead to amendments that enhance a bill, rather than just calling them concessions.

Minister Shaw: Yeah, that's right. So there was one around making it reviewable. There was one around the 30-day period where the MP remains an MP and has the ability to respond, and then reinstating the provision around three-quarters of the caucus has to agree to the letter before it gets sent to the Speaker. So I think those are the primary modifications.

Media: But are you fundamentally happy with the principle of the bill or are you just swallowing a dead rat here?

Hon James Shaw: Well, there is actually an issue that this deals with, which is the one of proportionality, which under MMP, you know, since we've brought in MMP, has kind of increased that as an important principle in our Parliament. It wasn't on our list and, of course, we have opposed it in the past. But I think with the changes to the bill that have been made, we're preserving that principle of proportionality, which is important. So it does deal with an issue that exists, and it does so in a way that we think there are sufficient jurisprudential safeguards around, so we're OK to support it to select committee.

Media: Is that your third election principle of good governance?

Hon James Shaw: Well, like I said, because the bill has been amended in ways that we feel have sufficient safeguards and that do align with the principles of natural justice, and because there is an issue to do with the retention of proportionality and the will of voters on election night, like I said, while it wasn't a high priority for us, actually it does fall within that boundary of what is good Government and we're happy to support it through.

Media: Prime Minister, in terms of the America's Cup, do you think the Government and Auckland Council are at a stand-off?

PM: No, no, I ultimately think that the goal that we collectively share as three parties is to see Auckland as the host for the America's Cup, so, certainly, that's something that we're focused on. Of course, each party in these negotiations will have their own bottom lines. We want to make sure that we're getting best value for money for the taxpayer, that we're preserving the environment as we go, that we leave a legacy project that endures as well. So that's the negotiating position we're coming from.

Media: Do you think it's appropriate, though, that the Government insists that that option if it's right is still on the table despite the council's [*Inaudible*]

PM: Oh, look, I've made an indicative decision and at this stage we just want to make sure the basis on which that decision was made is as robust as possible. So the suggestion has been that there are issues around hazardous substances that need to be relocated. That would be contributing to the cost of one of those options. We just want to make sure that that is absolutely correct so that we are all basing our decisions on really robust information.

Media: So would you suggest that the council holds off with the resource consent until you've sure made that that—

PM: Oh, look, there are options—duel consenting. Of course, for us at the moment it's about keeping those options open while we continue to negotiate.

Media: On a slightly different note, in terms of the stadium, would the Government support or give any financial—any money towards the stadium?

PM: It would be very premature for me to comment on that at this point.

Media: Prime Minister, the principal of Puhinui School in Auckland last year was given an \$8,500 ride-on lawnmower as a farewell present, and there have been a number of other principals in schools in Auckland that have been given similar parting gifts. Is that acceptable?

PM: I would say, unless that ride-on lawnmower was given to him so he could chop the fields of that school, I would be very surprised by that. It's not something I've been briefed on, though, Lloyd.

Media: The Auditor-General's just released a report on it and there's a plethora of schools that have had questionable spending over the years via overseas trips and on gifts for principals that range, you know, from a couple of grand up to \$10,000. So—

PM: Oh, I would find, given the environment that our schools are operating in—I would probably take a similar view to, probably, the parents of those schools, and find that very surprising. I'll look at the Auditor-General's report.

Media: Yeah, one kura spent nearly a quarter of a million dollars going to Rarotonga.

PM: Yes, as I say, I would find that hugely surprising, given the environment our schools are operating in. And schools, particularly parents who are paying donations, I think would also be surprised by that kind of spending. And I'll undertake to look at that report.

Media: Did Cabinet consider the tax working group make-up to that?

PM: Not at today's meeting, but there is likely to be announcements on that forthcoming in the very near future.

Media: Did Cabinet discuss—

PM: I'm not going to necessarily get into the individual ins and outs of every Cabinet conversation, you understand.

Media: Did Cabinet discuss the purchase of four Boeing-designed aircraft to replace the Orion fleet?

PM: As I say, I don't intend to get into the ins and outs of every conversation. The point that we announce something, we announce it. You will notice, though, that most of our agenda has been dominated by the 100-day plan.

Media: On the 100-day plan, the plan does set out, "Set a zero carbon emissions goal and begin setting up the Independent Climate Commission". Is that achieved, on the basis of today's announcement?

PM: Yeah. So what we have done is put in place the bones for setting up that transition commission, because—accepting that the legislation, of course, is required as a preliminary step—we want to get that commission under way. And we're now putting in place the legislation to help us achieve our goals around the targets that we've set. That doesn't preclude us setting additional targets.

Media: Prime Minister, chasing the low carbon goal, does that trump maintaining a GMO moratorium?

PM: That's certainly—the focus for us as a coalition Government has been around the issue of carbon. And of course these things aren't mutually exclusive, but, early on, that has been our focus.

Media: What are our carbon emissions running at the moment, roughly?

PM: I can tell you the make-up, the split, of them, but what's the overall number?

Minister Shaw: It's about 80 megatons, give or take, a year.

PM: 0.17 percent of the global profile.

Media: And, I mean, is it going to be possible to get to that zero carbon emissions, and is that what it sounds like, that—

PM: By 2050?

Media: Yeah.

PM: Yes.

Media: The number of trees are going to balance the amount that people are producing?

Minister Shaw: Well, you notice we're planning on planting a lot of trees. So, yeah, it is a net goal, so it's offset by things like tree plantation as well. But, yes, it is possible. We wouldn't have committed to it if we didn't feel it was possible. And I think one of the reasons why you're seeing a lot of support for the target and for the independent commission is off the back of the Vivid Economics report on pathways to a net zero emissions economy, which was commissioned by the cross-Parliament, all-party committee GLOBE at the beginning of last year. And so that created a lot of confidence right across Parliament and in the wider economy, that, actually, it is possible. And because it is possible, we therefore ought to do it, because, you know, we, like every other country, are obliged to reduce our emissions to net zero.

Media: Can you do it—well, do you think you could do it without buying units on the world market?

PM: And that's a question that we're, of course, tackling now. It's part of the work around undertaking these carbon budgets. Of course, looking at our emissions profile, we're talking roughly half produced by agricultural emissions; next, we've transport, energy production, also then just large-scale commercial activity. So there are a range of discrete areas where we have the ability to both reduce and offset our emissions profile. But that question is one that we are exploring. Our hope is, of course, that we can do as much as we can to domestically mitigate.

Media: But you can't rule out that New Zealand might have to spend billions of dollars offsetting it by buying units on the world market?

PM: As I say, our ambition is to offset domestically. One of the issues we've had in the past, of course, are dud credits. That's something that we've certainly ruled out being a part of in the future. Anything further you want to say on that?

Minister Shaw: Just, I mean, our primary responsibility and the greatest economic opportunity is to reduce our emissions at home and to spend that money onshore, developing our economy onshore. Currently, we don't actually have access to any international market anyway. So it's not really an option for us at—

Media: But it's fair to say it might be part of the mix, that you have to do?

Minister Shaw: Look, I can't predict the future, but I would say that, I mean, our attention and everything that we are doing is designed around our domestic emissions profile, so that we don't have to.

Media: Electricity is already 85 percent renewable, anyway. It doesn't seem very ambitious to get that to 100 percent.

PM: Well, it's hard to make it 150, isn't it?

Media: No, no, by 2030 it seems like quite a slow process to get there.

PM: Look, and if we're able to do these things sooner, then by all means. But, yeah, we've set ourselves a target and, you know, if we're able to do that sooner we will.

Media: You might have to get to 150 percent, because what if there's no wind or there's no rain. Do you want some—

PM: We have—it does say “in a hydrological year”, so that does take into account, you know, the issues around water supply.

Media: What about the intensification of dairy farming? Do you think you'll have to move away from that in order to meet this target?

PM: Yeah, I think generally our greatest gains are to be made in that area, and even the dairy industry themselves acknowledge this is value add, not simply just a continuation of conversion and larger and larger scale. We know that has a knock-on effect not just for our emissions profile but also for our water quality. We want our dairy industry to make sure that

they're getting the best value for money out of their product as possible, and there's a lot of room there for them to make those gains still.

Media: Will you force them to be put in barriers to stop them, and things like—

PM: Oh, look I think what we have to do is make sure that we're taking into account the cost of those inputs and outputs. We know that, for instance, an impact on water is something we should have consideration to when we're looking at large-scale conversions. I think most New Zealanders want us to start thinking about that issue.

Media: But doesn't that start ___16:28:05 from the top down? I mean, how many Government buildings are energy efficient? Are you going to offset all Government lights, just the little things like that?

PM: Mmm. We have looked at, of course, the fleet. That's one of the issues around converting to electric vehicles within the Government fleet, as a starting point. I'd have to ask the Minister about other initiatives.

Minister Shaw: Yeah, I mean, so you're absolutely right. Buildings are one of the, shall we say, areas of great opportunity in New Zealand where we can get massive gains for energy efficiency, which therefore translate into profitability for the operators of those buildings as well. And it is one of the things that's on the list of things to do. Can I just, before I get into it, the broad point—what we're trying to do with the independent commission is to create an accountability mechanism for Government. So when I said, in my opening remarks, that by the end of this Parliament we want to have in place a framework to guide the transition over the course of next 30 years, by setting up five-yearly emissions budgets, it will then say to Government, "Look, here are some policies that would help you live within those budgets." Government will then have an accountability to respond either by implementing those policies or coming up with a better alternative, or it will have to explain why it isn't. And, so, when we get questions around specific policies, whether they're related to agriculture or construction or energy or anything like that, the point of the commission is to say, "Actually, there will be an accountability mechanism for Government to operate." And that is a mechanism that was first pioneered in the United Kingdom and has been put in place by about half a dozen other countries as well.

PM: OK, last question.

Media: —legislation around—

PM: Oh, you haven't had one at the back!

Media: I was going to ask: is it a bit incongruous to, on the one hand, be setting these lofty climate goals and, on the other, still allowing mining permits for fossil fuels?

PM: No, look, as we've said, fossil fuels are not our future. It's why we've banned future mining on the conservation estate, but we've always said, "Look, there are regions and areas of New Zealand where we have to make sure we transition New Zealand into our future economy." That does mean that we will be reviewing these on a case-by-case basis and also making sure that our permitting regime takes into account environmental impacts. OK?

Media: Your housing Minister has just announced the Auckland relocation grant is going to end. Why is that, and how are you going to get down Auckland State-housing lists if you can't lessen demand up there?

PM: Of course our focus is on making sure that we are building more houses that include State houses, increasing the amount of social housing beds that are available. That has to be—increasing supply has to be our focus.

And we have one last one, I think it was—I cut you off. Was it Andrea? I cut you off before. Do you want the last question?

Media: Oh, I've forgotten what it was.

PM: OK, no worries. All right, thanks everyone.

conclusion of press conference