

We are operating in a new economic environment, following COVID-19. Against this backdrop, Government is facing some big decision points on the best ways to progress towards our domestic and international climate change commitments.

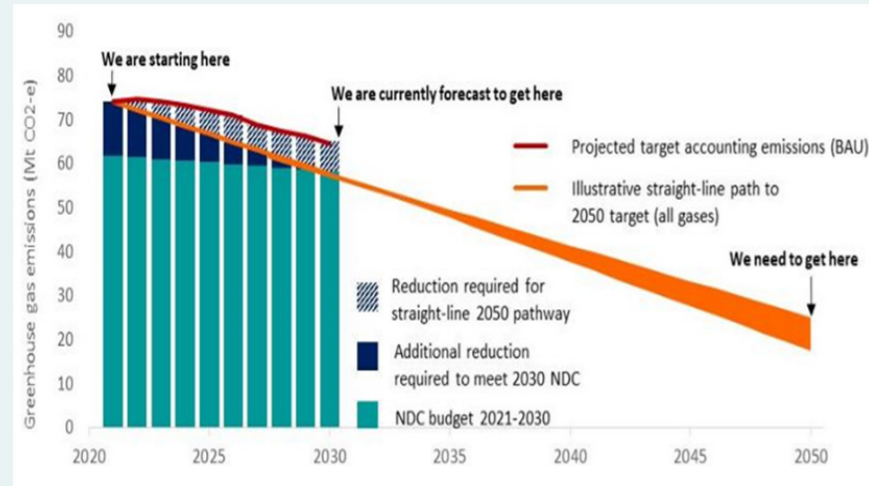
Work is underway to inform these decisions, particularly the preparation of New Zealand's first emissions budgets by the NZ Climate Change Commission. This work will ensure consistency with our commitments, and set clear signals for an economy-wide just transition to a low emissions economy.

These decisions are challenging, but the longer we delay making them, the harder it will be to achieve a transition of least disruption. Addressing climate change is one of the ways New Zealand can start to address its broader productivity challenge.

As the government's economic agency, MBIE holds levers critical to the transition to a low emissions economy.

## CLIMATE CHANGE IS BOTH AN OPPORTUNITY AND A CHALLENGE

### Challenges



Ambitious emissions reduction targets, but no sustained reduction in emissions. A large gap exists between our projected emissions and a trajectory consistent with our meeting our zero carbon 2050 goal and international targets under the 2016 Paris Agreement.

Funding the low carbon transition to the scale required. We are entering into an economic down turn, where emissions traditionally decline along with economic activity, and firms may be facing challenges to viability and/or be capital constrained.

Low-cost abatement opportunities are reducing. Over time, more substantial emissions reductions will likely entail higher abatement costs and more challenging trade-offs.

The negative impacts from the transition may fall disproportionately on already vulnerable groups, and government's social licence for change may be challenged.

### Opportunities

The institutional architecture to enable decisive action to reduce emissions is already in place (through the Climate Change Response Act 2019).

Addressing climate change starts to address our more enduring productivity, sustainability and inclusiveness challenges. The COVID reset and recovery provide an immediate opportunity to 'lock in' emissions-reducing changes as part of smarter responses.

Applying a purposeful, practical climate lens across all MBIE's policy domains.

Prioritising enablers MBIE holds that are fundamental to a successful transition, such as:

- › Growing transition-aligned industries, including developing niche markets and technologies, and supporting firms to pivot toward new, low-emission areas of advantage.
- › Aligning more research, science and innovation funding towards climate change mitigation and adaptation, including greater commercialisation.
- › Supporting new skills development in areas needed to enable the transition, and a greater diffusion of digital technologies, at the scale required to meet our emissions reduction targets.

## NEW ZEALAND HAS A STRONG FRAMEWORK FROM WHICH TO ADDRESS CLIMATE CHANGE

### Emissions Trading Scheme

Reduces greenhouse gas emissions across the economy by pricing them. Recently strengthened through reforms and auctions due to commence in 2021.

### Climate Change Response (Zero Carbon) Amendment Act 2019

- › Establishes New Zealand's net zero carbon by 2050 target.
- › Establishes the Climate Change Commission (CCC) as an independent advisor on climate change.
- › Requires the Government to set national emissions budgets.
- › Establishes processes for New Zealand to identify and prepare for the physical impacts of climate change.

### Mitigation

#### Emissions Budgets (MfE & NZ CCC)

Sets the quantity of emissions permitted in New Zealand in line with our 2050 goal.

#### Emissions Reduction Plan ('ERP') (MBIE, MfE, MOT, MPI)

- › Sets out a plan for how to meet the emissions budgets. First ERP will cover the period 2022-2025.
- › **Sector-specific** emission reduction policies in five high emitting industries.
- › A **multi-sector strategy** outlining cross-cutting policies that will support emissions reduction.

A **strategy to mitigate the impacts** that reducing emissions will have on employees & employers, regions, iwi/Māori, and wider communities.

### Adaptation

#### National Climate Change Risk Assessment (MfE)

Identifies NZ's most significant climate change risks and opportunities. (Completed August 2020).

#### National Adaptation Plan ('NAP') (MfE lead with multiple agencies)

- Sets out the government's plans to respond to climate risks. Plan to respond to risks identified across the five value domains in the national risk assessment:
- › Built environment
  - › Economy
  - › Natural environment
  - › Human
  - › Governance.

## MBIE HAS A KEY ROLE IN DELIVERING THE TRANSITION TO A LOW EMISSIONS ECONOMY

- › The challenges and opportunities presented by the move to a more carbon constrained future cut across a number of MBIE portfolios.
- › MBIE is part of an All of Government transition to a low carbon economy. The key benefits we provide include supporting high emitting industries to reduce emissions; enabling adaptation of the built environment and the economy; and supporting New Zealand workers and businesses to adjust.

### MBIE leads core components of the Emissions Reduction Plan and National Adaptation Plan.

**MBIE leads** Heat, Industry & Power and Building & Construction sector strategies, and strategy to mitigate impacts.

**MBIE provides input to** multi-sector strategy (research & innovation, industry transformation, labour markets, tourism and investment levers).

**MBIE is likely to lead** the 'Built Environment' domain workstream of the NAP. MBIE may also lead on the 'Economy' domain workstream.

### MBIE Ministers also control many of the wider policy & programme levers that will underpin a transition of least disruption in the longer term.

Employment (e.g. smoothing job displacement)

Regional Economic Development (e.g. provincial investments to support mitigation/adaptation).

Research, Science and Innovation (e.g. zero carbon science & innovation investments).

Commerce and Consumer Affairs (e.g. sustainable finance and climate-related financial disclosures).

Economic Development (e.g. Just Transitions, supporting key industries to transform; low emissions government procurement).

## KEY MINISTERIAL DECISION POINTS (ERP & NAP)

### END 2020

Ministers briefed on key issues & budget implications of emerging ERP.  
**Ministers briefed on NAP strategy & governance.**

### MID 2021

CCC final advice on Emissions Budgets. Cabinet decisions on draft Emissions Budgets and draft ERP, and approval for public consultation.

### LATE 2021

Public consultation on ERP. Final Cabinet decisions on Emissions Budgets and the ERP. Emissions Budgets notified and ERP published.  
**Public consultation on NAP.**

### MID 2022

**Final Cabinet decisions on NAP. NAP published.**