



How ministers and officials developed the first emissions reduction plan – and how to do it better next time

Summary document

September 2023



Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

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Cover photo of Cyclone Gabrielle damage in Hawke's Bay, by Leonie Clough, Unsplash.

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Emissions reduction plans

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To meet its international climate change obligations, New Zealand has legislated emissions reduction targets. To help achieve those targets, the Climate Change Response Act 2002 requires the Minister of Climate Change (on behalf of the Government) to produce emissions reduction plans (ERPs).

Each plan must include:

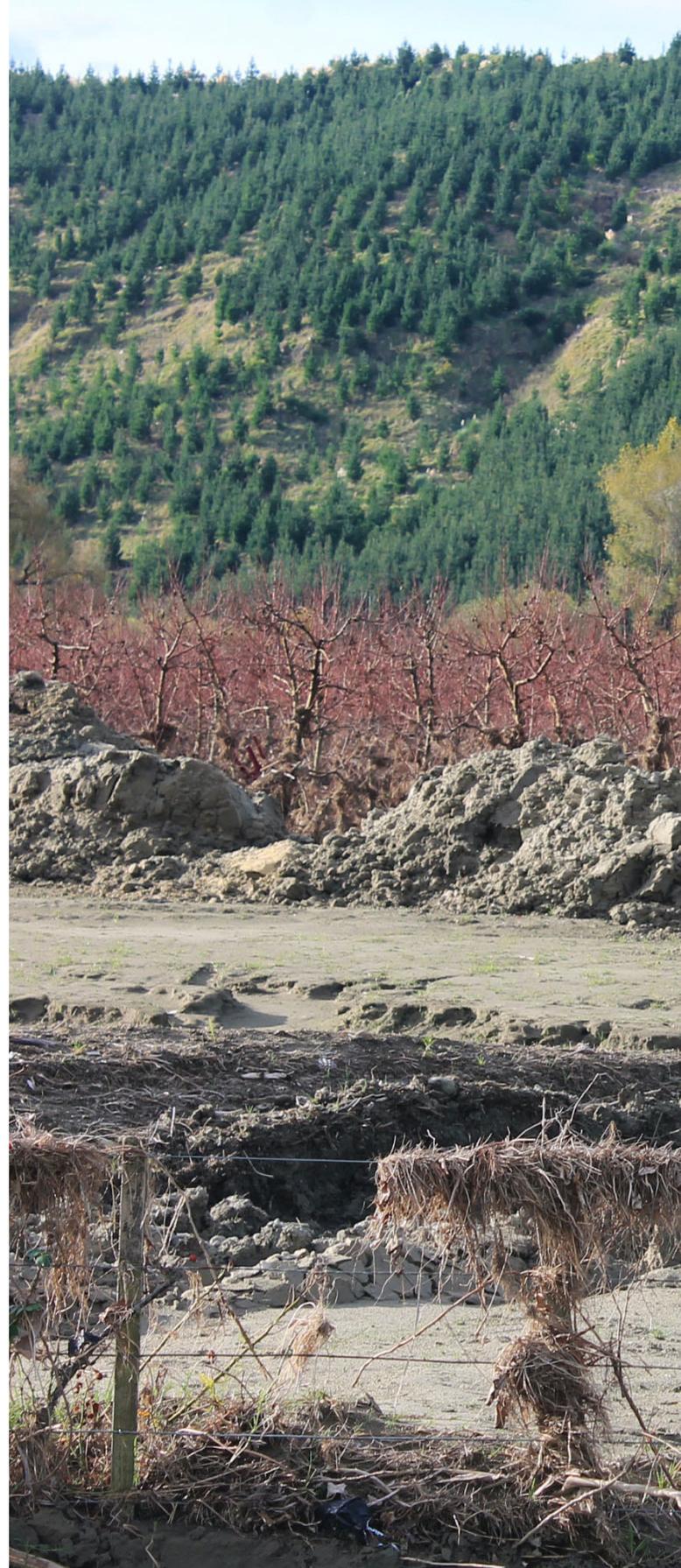
- sector-specific policies
- a multi-sector strategy to meet emissions budgets
- a strategy to mitigate the impacts that reducing emissions and increasing removals will have on employees and employers, regions, iwi and Māori, and wider communities.

The Minister of Climate Change may also include in the plan any “other policies or strategies” that are considered necessary.¹

A new plan is required every five years on a timeline aligned with emissions budgets. Each plan must include both specific policies and general strategies. The Minister of Climate Change is advised by their officials as well as officials from other portfolios. In addition, He Pou a Rangi Climate Change Commission provides independent expert advice. However, the minister is only required to consider the Commission’s advice.

The first ERP was released in May 2022. The second ERP must be released by December 2024.

¹ Climate Change Response Act 2002, s 5ZG.



Purpose of the review



Much has already been said about the content of the first ERP. Rather than cover the same ground, the Parliamentary Commissioner for the Environment undertook a review to understand what can be learnt from the way the first ERP was assembled. What worked well and should be repeated? What could be improved when assembling future plans? What kinds of direction do ministers need to provide to officials? How can the advice provided to decision makers be improved? What are the hard questions that ministers should be asking of officials?

The review's overall objective is to help ensure a consistent and robust process for future ERPs, regardless of who is in government. It is essential that the process for producing ERPs caters for the inevitably divergent political perspectives and personalities of future governments. The recommendations provide a procedural framework that should be able to be repeated by future ministers, without the need to reinvent the wheel. The framework can also serve as a guide to officials about the advice they will need to proactively provide to ministers to support the ERP process.

The review draws on:

- the extensive documentary record that was produced in putting together the first ERP
- a much smaller documentary record of reviews that attempted to retrospectively make sense of the ERP process
- dozens of interviews with those involved in the process firsthand, including the then Prime Minister, key cabinet ministers and a vast array of officials.

Damage in Hawke's Bay after Cyclone Gabrielle, February 2023. Photo by Leonie Clough, Unsplash.

Process for producing the first emissions reduction plan

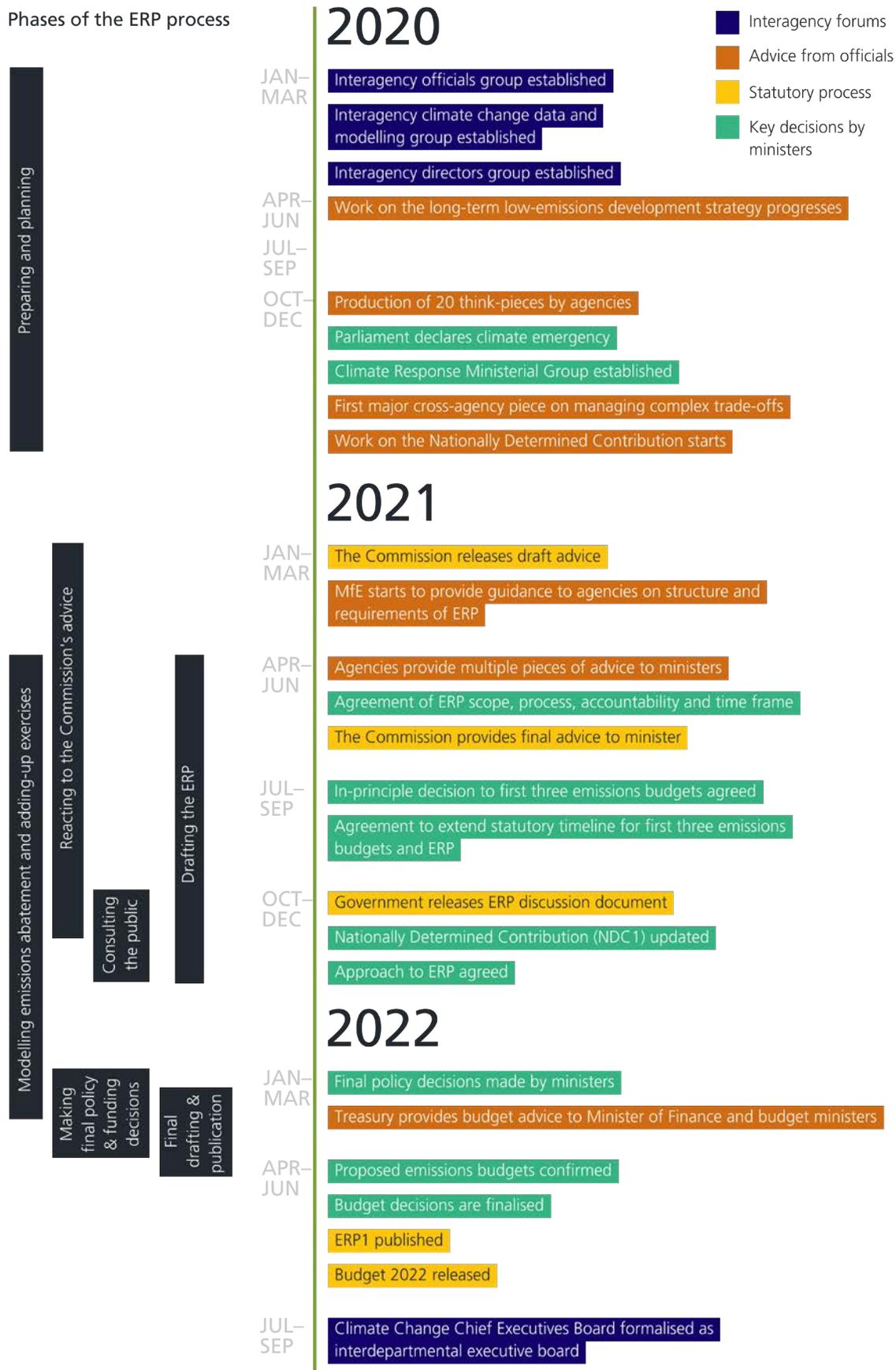


Figure 1: A simplified timeline of the development of the first emissions reduction plan. Source: PCE.

Key judgements and recommendations

A task of this magnitude, performed for the first time, will inevitably involve a significant element of learning by doing. Even the best-laid processes would be found wanting in places – all the more so when the task was being conducted in the middle of a pandemic. Importantly, the plan that was delivered does what it is required to do by legislation. But the process, and the Government's underlying approach, could have been more focused and smoother.

Everyone – ministers and officials – learnt from the process of putting together ERP1. In preparing for the second plan, some positive improvements are already being implemented.

The purpose of the Parliamentary Commissioner for the Environment's recommendations is to reinforce and add to the changes already underway. The recommendations are designed to provide present and future ministers (including the Prime Minister) with the essential elements of a 'blueprint' for a process and approach that can be repeated for future emissions reduction plans.

A coherent policy framework was lacking

Ministers did not systematically turn their minds to the key choices and trade-offs they faced. Nor did they explore alternative pathways that could have brought those issues into sharper relief. While officials placed some key framing questions in front of ministers along the way, they did not present those questions as a coherent package, nor did they ask them early enough. As a result, ministers were unable to provide a coherent policy framework to guide the detailed work of officials.

Neither officials nor ministers stood back and asked: how can we make sense of the Commission's advice in its totality? How can we apply systems thinking and an economy-wide lens that will identify the most significant points of leverage and then enable all elements of the plan to be assembled coherently? If officials had done more preparatory thinking about key framing issues to be addressed by ministers, everyone might have been in a better position to take stock.

Key framing questions that should be asked

- To what extent does the Government wish to rely on neutral, economy-wide policy tools like pricing emissions, as distinct from a raft of more selective interventions tailored to particular sectors, players and groups of consumers?
- What distributional consequences are of particular concern? What is the Government prepared to do to outflank them?
- Where should the fiscal burden fall?
- What should the balance be between gross and net emissions reductions, and to what extent should those reductions be achieved domestically or offshore?
- To what extent should the focus be on emissions reduction in the near term (i.e. within the upcoming emissions budget period) as against laying the foundations for future reductions?

These framing questions need to be asked from the outset and as a package. All of them have economy- and society-wide implications, and all need to be answered in a way that delivers a plan with coherent policies that do not compete with one another. Leaving them to the end and trying to superimpose answers on a bottom-up, sector-based approach is likely to reveal conflicts that would have been better addressed much earlier on.

Recommendation 1: From the very outset of the process, ministers, with advice from officials, should address a small number of high-level questions that can serve as a framework to help resolve some of the key trade-offs that alternative policies raise.

Questions remain over the continued operation of Tiwai Point Aluminium Smelter, pictured. Closure of the smelter would make emissions budgets easier to meet.

Photo by David Unger, Flickr.



Too much emphasis was placed, too early, on adding up sector-specific policies

Instead of pulling together a coherent mix of policies orientated towards managing a long-term transition, the process focused on individual sectors and the first emissions budget. Whole-of-government adding-up exercises can provide confidence that mitigation policies will collectively meet an emissions budget – something any government must, by law, plausibly demonstrate. But it sheds no light on whether the totality of the policies make for a coherent package.

Over-reliance on the Commission’s advice and inadequate analysis of cross-sector trade-offs limited consideration of alternative pathways

Instead of being proactive, the whole-of-economy advice generated by officials focused on variations of the Commission’s advice and did not identify other potential long-term pathways, either for the first three emissions budgets or for the target date of 2050.

Systematic analysis of potential pathways that could connect the lofty vision of a net-zero economy with coherent policy packages was missing. In practice, the problem that officials were responding to does not appear to have been understood as an economic transition (requiring some amount of management) but rather as an arithmetical exercise dependent on the modelling of mitigation potentials.

Ultimately only elected politicians, not the Commission, can make the social, economic and political value judgements involved in deciding what pathway we should travel and what emphasis individual policies should be given. To support ministers in making those decisions, officials need to both critically analyse the Commission’s advice and provide their own proactive advice on sector-level pathways that show multiple scenarios out to 2050. Using the key framing questions outlined in the first recommendation will help make sense of any adding-up exercises, ensure that the Government is on track to producing a coherent plan, and assist in identifying different pathways.

Recommendation 2: Ministers and officials should examine more than one possible pathway to meet New Zealand’s mitigation obligations.

Top-down political leadership, especially from the Prime Minister, unlocked the emissions reduction plan process

While the Minister of Climate Change has statutory responsibility for the ERP, they are only ever going to be one minister among many, each of whom has to apply their mind to the economy- and society-wide transition that ERP are supposed to deliver. No individual minister could ever take responsibility for the whole-of-government view needed to land such an important policy package. Weighing up and managing the required choices and prioritisation is best overseen by the Prime Minister.

One aspect of the ERP1 process that worked well was the Prime Minister chairing the Climate Response Ministerial Group. The Prime Minister's leadership ensured that every minister prioritised time, resources and direction to officials, thereby creating the conditions for a whole-of-government view to emerge. However, collective ministerial direction could have been clearer and provided to officials earlier in the process.

Recommendation 3: The Prime Minister should continue to provide active political leadership over the emissions reduction plan.

Institutional forums needed to be more focused on framing questions and cross-cutting issues

Governance arrangements such as the Climate Change Chief Executive Board and various interagency groups were positive initiatives to drive strategic issues and provide cross sector advice to decision makers.

In preparing ERP1, it appears that the board was not able to provide a focus on sector interdependencies, the sequencing of key actions or key whole-of-economy trade-offs. The board could have been more active in directing agencies to produce collective advice on potential whole-of-economy pathways.

There were probably limits to the extent the Ministry for the Environment (MfE) was able to provide independent leadership, given the tension the Secretary for the Environment faced as both Chief Executive of MfE and Chair of the board. MfE had to provide portfolio advice to its ministers and provide 'independent' collaborative advice to the Climate Response Ministerial Group. An independent chair supported by substantial independent advice might help alleviate the perceived conflict.

Recommendation 4: Chief executives should collectively focus on driving cross-agency decision making with independent advice and an independent chair.

Cross-agency leadership and individual agency preparedness need to be better

Different agencies entered the process with different degrees of preparedness and resourcing. With the benefit of hindsight, many agencies do not appear to have sufficiently prioritised ERP1. It was apparent from conversations with officials that the amount of work needed to land the ERP caught officials off guard. When ministers directly and explicitly asked agencies for more ambitious policies, several agencies did not have the policy work ready. Even where agencies had embedded climate policy skills such as modelling, agencies appeared to have difficulties shifting some of these embedded skills into cross-agency teams.

Recommendation 5: Ministers and chief executives should prioritise resourcing within their agencies for development of the emissions reduction plan and associated climate policy analysis.

Recommendation 6: There should be more systematic and consistent modelling of both sector-specific and whole-of-economy pathways.

Engagement with iwi and Māori needs improvement

The Climate Change Response Act places obligations on both the Commission and the Government to ensure that consultation with the public is adequate. The Commission's recommendations were informed by engagement with Māori. The Government's subsequent attempts to consult with iwi and Māori were limited and fell well short of what was ideal. In fairness to the Government, the pandemic got in the way of the consultation process.

Ihirangi and MfE's consultation was used to inform development of the empowering Māori chapter and its policies.² Other agencies used their own engagement networks for consulting with iwi and Māori. The extent to which agencies' consultation with iwi and Māori directly influenced the policy analysis and decision making of the Crown is not clear.

Managing so many moving parts from multiple agencies was always going to be difficult. MfE nominally had that responsibility but also had many other responsibilities to juggle.

Recommendation 7: A dedicated group should lead consultation with iwi and Māori and feed more directly into analysis and decision making.

² Ihirangi is an operational arm of Te Pou Take Āhuarangi (Climate Lead) for the National Iwi Chairs Forum.

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