

Aide-mémoire



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Meeting

Date: 3 June 2021 **Security Level:** IN CONFIDENCE

For: Hon Carmel Sepuloni, Minister for Social Development and Employment

File Reference: REP/21/6/575 - Aide-memoire: Climate Change Commission Final Report Discussion

Climate Change Commission Final Report Discussion

Meeting/visit details Climate Response Ministers Group Meeting
11:30-12:30, 4 June 2021, Zoom

Expected attendees

Rt Hon Jacinda Ardern - Prime Minister
Hon Grant Robertson – Minister of Finance; Minister of Infrastructure
Hon Megan Woods – Minister of Energy and Resources; Minister for Housing
Hon David Parker – Minister for the Environment
Hon Nanaia Mahuta – Minister of Foreign Affairs; Local Government; Associate Māori Development
Hon Poto Williams - Minister of Building and Construction
Hon Damien O'Connor – Minister of Agriculture, Minister for Biosecurity
Hon Stuart Nash – Minister of Forestry; Minister for Economic Development
Hon Michael Wood – Minister of Transport
Hon James Shaw, Minister of Climate Change

Purpose of meeting/visit

You are meeting the Climate Response Ministers Group to discuss the final report from the Climate Change Commission (the Commission) on the recommended actions required to meet the obligations under the Zero Carbon Act.

You will also discuss and agree to the draft communications plan for the release of the advice, including Ministers' roles and talking points for media and other stakeholders.

Background

- The Commission was established as an independent entity to provide advice on New Zealand's emission reduction targets.
- As per their statutory requirement, the Commission has released its final advice to the Minister for Climate Change.
- The advice outlines the pathway for New Zealand to achieve the emissions targets set out in the Climate Change Amendment Act. This includes the first three Emissions Budgets that set out how much New Zealand can emit from various sectors from 2022-2035.
- The Commission's final advice will be tabled by the Minister of Climate Change in Parliament and is intended to be publicly available from 9 June 2021.
- In response to the final report and the broader obligations under the Climate Change Amendment Act there is now a cross government response to develop Emissions Reduction Plans (ERP) outlining how New Zealand can meet its targets which must be completed by 31 December 2021.
 - The ERP must include:
 - Sector specific policies
 - A multi sector strategy
 - A strategy to mitigate the impacts that reducing emissions and increasing removals will have on employees and employers, regions, Iwi/Māori, and wider communities, including funding for any mitigation action
 - Any other policies or strategies that the Minister considers necessary.
- MSD is working alongside the Just Transitions team at MBIE to draft a chapter of the ERP focused on the 'Distributional Impacts' of the actions to reach our emissions targets.
- It is likely that Climate Response Ministers will field questions from media and other stakeholders.

Key issues

- Strong feedback was issued to the Commission from the public and MSD around the concept of equitable transitions and limiting the impacts on marginalised groups with a particular focus on low income households.
- MSD has identified two key areas that are relevant to our clients and operations: increased hardship and the associated costs, and the regional/community impacts on employment.

Supporting people in increased hardship

- Low income households have been identified as a key demographic at risk of negative impacts due in particular to the upfront costs of the transition.
- There are five general cost areas that could have significant movement under the proposed recommendations. These are:
 - Transport
 - Power
 - Food
 - Natural gas, and
 - Housing.
- Any rise in these costs above inflation, alongside large upfront costs, will have negative impacts on low income households including a substantial number of MSD clients.
- The Commission's advice acknowledges that there will be challenges for rural communities. The current proposals are limited regarding their feasibility in rural or low-income contexts especially regarding transport.
- If the upfront costs of transition and increase in costs can be mitigated, several proposed recommendations should have positive benefits and opportunities for low income households e.g. insulation, reduced air pollution, and emerging 'green' industry and employment.
- There are significant risks and costs associated with inaction due to the long-term impacts of climate change.

Supporting employment shifts in regions

- Employment shifts are likely to have significant regional impacts which will create new challenges and opportunities.
- s 9(2)(b)(ii)
[Redacted text]
- Further work will also be needed to consider what type of jobs may be created, how secure they are, who has access to them, whether they pay a decent wage, and what education and skills are required to do those jobs. This will be included in the ERP.

Ministers will receive further advice on support options

- It is uncertain at this point whether the impacts of reaching net zero emissions will be able to be met using the current policy levers, and/or products and services available to MSD.
- We are considering what work may be needed to determine the change in need, outcomes, and costs.

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- For example, we could consider work such as:
 - modelling and projections
 - localised transition planning in areas where there is significant employment in emissions-intensive sectors. Transition planning could support regional economic diversification and could look to create new industries, based on the skills, resources and aspirations of the local community and Iwi/hapū
 - applying a climate change lens to strategies to identify and build the skillsets needed to support sectors key to the move to a low-emissions economy.

Talking Points

- This work aligns to Government priorities supporting people into work, to upskill and retrain, and ensuring that New Zealanders in need are able to have adequate income and can meaningfully participate in their communities.
- We have an important role to support whānau who are inequitably impacted through transition.
- We have work to do to consider how through the ERP we mitigate the significant risks for lower income households.
- We will need to assess the impacts of the recommendations on people who are supported by the welfare system and may need its support in the future.
- There could also be opportunities to take up, such as supporting people to retrain into new, green industries.

Next steps

MSD will continue to work alongside MBIE to develop the chapter on Distributional Impacts with a specific focus on low income households, training, and employment.

The Minister of Climate Change has proposed a meeting with the responsible Ministers for each chapter of the ERP. We will brief you ahead of the meeting with Minister Shaw and Minister Nash.

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