



Cabinet

Minute of Decision

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Climate Change Response (Emissions Trading Reform) Amendment Bill: Inclusion of Agricultural Emissions Provisions

Portfolio Climate Change

On 2 December 2019, Cabinet:

Background

- 1 **noted** that the Climate Change Response (Emissions Trading Reform) Amendment Bill 2019 (the Bill) had its first reading on 5 November 2019, and is currently before the Environment Committee;
- 2 **noted** that on 16 September 2019, Cabinet approved final policy proposals for agricultural emissions for inclusion in the Bill in two stages, including some legislative provisions at the Bill's introduction and others via select committee or a supplementary order paper [CAB-19-MIN-0480];
- 3 **noted** that at introduction, the Bill included decisions to price agricultural emissions in the New Zealand Emissions Trading Scheme (NZ ETS) as a legislative backstop for emissions pricing from 2025, including:
 - 3.1 applying farm-level surrender obligations for livestock emissions and processor-level surrender obligations for fertiliser emissions in the NZ ETS from the year beginning 1 January 2025;
 - 3.2 requiring mandatory farm-level reporting on livestock emissions in NZ ETS from 1 January 2024;
 - 3.3 amending the level of free allocation to agriculture in the Climate Change Response Act 2002 (the Act) from 90 per cent to 95 per cent, to reflect the Labour-New Zealand First Coalition Agreement;
- 4 **noted** that on 21 October 2019, Cabinet agreed to remove the requirement for consideration of a different levy/rebate scheme in the 2022 Ministerial report on farm-level pricing and replace it with the requirement to develop an alternative pricing mechanism for on-farm emissions [CAB-19-MIN-0550];
- 5 **noted** that, to bolster accountability of the Primary Sector Climate Change Commitment and to assist the Climate Change Commission in undertaking its 2022 review of progress toward farm-level reporting and pricing, the draft legislative text includes seven selected milestones;

Withheld under s9(2)(f)(iv)

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Approval to release text

9 **noted** that the amendments referred to above and set out in the draft Supplementary Order Paper attached to the submission under CAB-19-SUB-0625 give effect to:

- 9.1 Cabinet's decisions on agricultural emissions [CAB-19-MIN-0480];
- 9.2 decisions taken by Ministers delegated with Power to Act on the details of the government's preferred interim option (a modified version of a formal sector-government agreement), including provisions to support He Waka Eke Noa, the Primary Sector Climate Change Commitment;
- 9.3 Cabinet's subsequent decisions [CAB-19-MIN-0550];

10 **approved** the draft legislative text for:

- 10.1 referral to the Environment Committee as soon as practicable;
- 10.2 inclusion as part of the Bill, either through the Environment Committee or by Supplementary Order Paper, if required.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister for Climate Change