Interim Climate Change Committee

Level 1, Environment House, 23 Kate Sheppard Place, PO Box 10362, Wellington 6143

7 May 2019

Hon James Shaw
Minister for Climate Change Issues
Parliament Buildings
Wellington

Dear James

We appreciate the opportunity to continue to provide advice on the Government's climate change priorities as a precursor to the Climate Change Commission.

This letter provides an overview of how the Interim Climate Change Committee is shaping its work programme under the updated Terms of Reference. The Terms of Reference currently refer to a reporting date of 30 September 2019 – we consider this a milestone on the path towards successful delivery of the first emissions budgets.

In this letter, we have set out our overview of the work, with detail on what we plan to deliver by 30 September 2019.

Our context

For the Climate Change Commission to be effective, it will need to be in a position to swiftly propose high-quality, credible emissions budgets. The Committee's focus now is to put the Commission in the best possible position to advise on this.

The Committee will need to prioritise work on the most critical and time-sensitive elements required for emissions budgets. Priority work includes developing the critical analytical tools for informing emissions budgets.

Key to the Committee's credibility will be its independence. For the analysis to be robust and well-informed, we will need to undertake extensive engagement with iwi/Māori, civil society, government officials and business.

The Committee will approach the work in a way that builds capacity and capability within both the secretariat and the wider public sector.

Our task

The Committee will begin the task of creating a methodology for setting emissions budgets.

The foundations for emissions budgets are:

- Fit-for-purpose databases of emissions and activity data
- Thorough understanding of mitigation options, policy levers and costs of reducing emissions

- High-quality tools (e.g. computational models) for estimating potential emissions reductions and socio-economic impacts under different policy settings
- Trusted and credible analysis achieved through ongoing dialogue with stakeholders

We will start to build these foundations at a sectoral and economy-wide level.

Sectoral analysis will involve developing a detailed understanding of each sector. Our first priority is to focus on land use and transport, which together make up about 70% of New Zealand's gross emissions. We may also do some initial scoping on other sectors, such as process heat, electricity generation, waste, and industrial processes and product use.

Economy-wide analysis will be essential to ensure that interactions between sectors are taken into account, and to understand distributional impacts of emissions budgets. A new modelling tool will need to be developed as a priority.

The Committee has identified three critical areas to focus on first:

1. Prototyping the sectoral approach, focussing on the transport sector
2. Assessing data and modelling needs in the land use sector, to identify gaps and priorities
3. Developing a high-quality, economy-wide model for emissions budgeting.
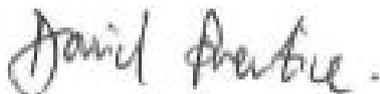
What we will deliver by 30 September 2019

While we anticipate that the work outlined above will continue beyond 30 September 2019, by that date we will deliver a report outlining our progress on the following:

- Building the foundations for emissions budgeting in the transport sector
- Identifying data and modelling needs for the land use sector
- Developing an economy-wide model and methodology for an economy-wide emissions budget

To help build capability and understanding outside the Committee, we will publicly share what we learn through working papers as appropriate. We may also provide input into climate change consultations and policy development, where it overlaps with our role.

We look forward to keeping you updated as we progress this important work.

Yours sincerely

David Prentice
Chair, Interim Climate Change Committee