

Context

1. The Government is committed to taking decisive action on climate change, in keeping with New Zealand's obligations to limit the rise in global temperatures and transition to a low emissions and resilient future.
2. As a party to the Paris Agreement, New Zealand will participate in global efforts to address climate change by adopting progressively more ambitious Nationally Determined Contributions (NDC) that reflect the highest possible ambition as well as national circumstances. New Zealand's first NDC is to reduce emissions to 30% below 2005 levels by 2030.
3. Government recognises taking bolder action on climate change will require further investment and policy interventions. The domestic response to climate change needs to be integrated into the country's broader economic development strategy and take into account our position as a small, trade-dependent economy. This transformation will involve significant opportunities but also economic and social impacts on households, iwi/Māori, communities and firms. Such impacts may need to be managed to ensure a just transition.
4. The Government has therefore initiated a programme of work to consider how to reduce emissions and adapt to the effects of climate change. As part of this, Cabinet has agreed to the development of a Zero Carbon Bill to set the framework for New Zealand's action on climate change, for introduction to Parliament in 2018. This Bill is intended to define a new 2050 emission reduction target consistent with the international goal of reaching net zero emissions in the second half of this century. The Bill will also propose to establish an independent Climate Change Commission (the Commission).
5. Cabinet also agreed the following principles to ensure a just and effective transition:
 - i. taking a transparent and participative approach to climate change policy, with wide community, business and Māori engagement and consultation (acting consistently with the principles of the Treaty of Waitangi), and ensuring cross-party support;
 - ii. ensuring that policy settings provide investment predictability, so we can help businesses and communities plan ahead by being clear about what our climate change goals are now;
 - iii. being ambitious with respect to reducing our gross emissions by not unduly relying on international emissions reductions to meet our targets, while retaining all options at this point;
 - iv. creating enduring institutional arrangements for climate change and environmental governance, with decisions underpinned by strong data and evidence.
6. To enable the timely delivery of Government climate change priorities, an Interim Climate Change Committee (the Committee) is being created as a precursor to the proposed Commission.
7. The public service will continue to act as the Government's primary policy advisor on climate change alongside the Committee and the Commission.

Purpose of the Committee

8. The Committee is a Ministerial Advisory Committee appointed by the Climate Change Minister with the agreement of Cabinet. The Committee will provide independent evidence and analysis on the issues set out in this Terms of Reference.

Deliverables

9. The Committee's primary deliverables will be reports containing the evidence and analysis, and recommendations, on the following areas:
 - a. How surrender obligations could best be arranged if agricultural methane and nitrous oxide emissions enter into the New Zealand Emissions Trading Scheme (NZ ETS).¹
 - b. Planning for the transition to 100% renewable electricity by 2035.²
10. In addition, the Committee will also deliver a report containing:
 - a. evidence and analysis of plausible pathways to, and any elements of, the 2050 emissions reduction target(s), to support the advice required of the Climate Change Commission (the Commission) shortly after its establishment.
11. The Committee's reports will be provided to the Minister for Climate Change. The Minister will direct the reports on agriculture, renewable electricity and 2050 target(s) and pathways be provided to the Commission and released to the public. The Minister will also forward the reports to relevant portfolio Ministers. Ministers will not have an opportunity to give feedback to the Committee before general release.

Approach

12. In developing its deliverables, the Committee will take into account the following overarching factors:
 - the Commission's potential role (subject to legislative processes) in developing five-yearly emissions budgets for New Zealand's pathway towards meeting a new 2050 target and the potential contribution of agriculture and renewable electricity to this long-term transition
 - New Zealand's international obligations, including but not limited to the Paris Agreement requirement to set progressively more ambitious NDCs over time and reach net zero emissions in the second half of this century
 - the importance of a just transition, in particular the likely impact of changes in policy on households, communities, iwi/hapū/Māori, businesses and other groups
 - alignment with New Zealand Government environmental, social, economic and fiscal policy objectives and strategies.

¹ New Zealand Labour Party and New Zealand First coalition agreement states: *"If the Climate Commission determines that agriculture is to be included in the ETS, then upon entry, the free allocation to agriculture will be 95% but with all revenues from this source recycled back into agriculture in order to encourage agricultural innovation, mitigation and additional planting of forestry."*

² New Zealand Labour Party and Green Party of Aotearoa New Zealand confidence and supply

Agreement states that the Government will: *"Request the Climate Commission to plan the transition to 100% renewable electricity by 2035 (which includes geothermal) in a normal hydrological year. Solar panels on schools will be investigated as part of this goal."*

13. When preparing necessary evidence and analysis to inform its recommendations of how agriculture's potential surrender obligations could best be arranged, the Committee will consider:

- the objectives and design of the NZ ETS, including the Government's current work programme of improvements to NZ ETS policy and legislation, including aligning unit quantities with New Zealand's emission reduction targets through a rolling five-year cap setting process
- the impact of maintaining current policy settings on both agriculture and other sectors, including any distortionary effects on economic incentives and investment, and New Zealand's overall economic development
- the principle of internalising costs that the country faces through international commitments to sectors that create those costs, so that changes at the margin of those sectors' emissions face the full costs that the country faces
- the full range of feasible options for including agriculture in the NZ ETS, such as different points of obligation (at the farm level, processor level, input producer level e.g. fertilisers, or a hybrid approach) and other inputs, and their impacts
- the desirability of rewarding land-owners/farmers who take positive steps to significantly reduce their emissions, and to create incentives for emissions-friendly technologies and farming practices to be widely employed, where those technologies and farming practices exist
- the need to balance administrative complexities and transaction costs of individuals participating in the NZ ETS
- the desirability of seeking to ensure that farmers who significantly increase their emissions face the costs of those increases in emissions
- alternative or complementary options that may also enable agriculture to contribute to meeting New Zealand's emission reduction targets and transition to a low emissions economy
- the potential timing for the implementation of the options
- options for transitional support, alongside 95% free allocation that would be provided if NZ ETS surrender obligations are introduced
- instruments and implications for the recycling of any funds that may be generated through the inclusion of agriculture in the NZ ETS.

14. When preparing necessary evidence and analysis to inform its recommendations on moving towards 100% renewable electricity, the Committee must take into account:

- the objective of minimising emissions from electricity generation
- security of supply
- affordability for consumers
- ways to measure progress towards minimising emissions in the electricity sector (i.e. alternatives to measuring the proportion of renewables) while still allowing for effect of hydro inflow variability on emissions.

15. The Committee should also have regard to the following:

- consequential impacts on opportunities to reduce emissions from the energy sector
- links to innovation and emerging technologies

16. When preparing the necessary evidence and analysis on the plausible pathways to inform the Commission's advice on emissions budgets to meet the 2050 emissions reductions target(s) the Committee must take into account:
- the proposed target(s) that could be established through the Zero Carbon Bill
 - projections for New Zealand's greenhouse gas emissions between 2021 and 2050
 - the role of forestry in achieving a new 2050 emissions reduction target(s)
 - the role of international emissions abatements in achieving the proposed 2050 emissions reduction target(s)
 - New Zealand's existing climate change commitments
 - science, including mātauranga (in fields such as climate, environment and ecology)
 - technology relevant to climate change
 - economic circumstances and, in particular, the likely impact of the government's decision on the economy and the competitiveness of particular sectors of the economy, including the Māori economy
 - the distribution of impacts and their equity implications, for example regional differences in the capacity to mitigate and adapt to climate change, and social circumstances
 - the advice and recommendations of the Commission.
17. Its evidence and analysis should recognise the inherent and future uncertainty regarding what constitutes a normal hydrological year, and take this into account when considering complementary or alternative indicators.
18. The Committee will have regard to a broad range of evidence and analysis in preparing its reports, including:
- the Productivity Commission inquiry into how New Zealand can maximise the opportunities and minimise costs and risks of transitioning to the lower net-emissions economy
 - relevant reports and data prepared by the Ministry for the Environment; Ministry of Business, Innovation and Employment; the Ministry for Primary Industries; the Energy Efficiency and Conservation Authority, the Parliamentary Commissioner for the Environment; the Prime Minister's Chief Science Advisor; and the Biological Emissions Reference Group.
 - Other relevant reviews, including the Electricity Pricing Review.

Membership

19. The Committee will consist of a Chairperson (the Chair), a deputy Chairperson and four Committee members (the Members) appointed by and accountable to the Minister for Climate Change.
20. Members will be appointed because of their personal expertise and ability to provide independent, strategic assessments of climate change issues. They will not act as advocates or representatives of a particular interest or sector group.

Secretariat

21. The Committee will be supported by a full-time dedicated Secretariat, appointed for the duration of the Committee. The role of the Secretariat is to prepare a range of resources and materials at the direction of the Committee.

22. The Head of Secretariat (HoS) will be appointed by the Chief Executive of the Ministry for the Environment with input from the Chair, and will report to the Chair.
23. Secretariat staff will include subject matter specialists seconded from the Ministry for the Environment, the Ministry of Primary Industries, the Ministry of Business, Innovation and Employment and other relevant agencies. Secretariat staff will report to the HoS.

Relationship with Ministers and officials

24. To ensure independence, the work of the Committee will be conducted in accordance with the Terms of Reference as approved by Cabinet, and it will not be subsequently directed by Ministers. The Committee is expected to meet with relevant Ministers before starting its work to discuss these Terms of Reference and clarify any details of scope. The Committee may also meet with relevant Ministers to provide information as its work progresses, and act in accordance with the “no surprises” approach.
25. The Committee is likely to have information requirements across the Climate Change, Energy and Resources, Agriculture and Forestry portfolios. The Committee will regularly engage with the Minister of Climate Change, other relevant Ministers and government officials for the purposes of gathering this information and understanding the Government’s wider climate change work programme, economic and social objectives. Information from agencies will be subject to the agreement of the relevant Deputy Secretary.
26. In particular, the Committee should collaborate with relevant government agencies and businesses on electricity modelling where the Ministry of Business, Innovation and Employment, Transpower and the Electricity Authority hold key data, but also drawing on expertise from the Energy Efficiency and Conservation Authority.
27. The Committee and officials should collaborate and share all objective data and analysis that forms the necessary evidence base for work on the plausible pathways, the emissions projections, and the potential abatement we could see up to 2050, in such a way that it does not impact the Interim Committee’s ability to provide independent evidence and analysis.
28. If required, the Committee will be informed of any transitional arrangements necessary to give effect to decisions made as part of the Zero Carbon Bill process.

Operations

29. The Committee is expected to meet once a month at a minimum, with discretion to meet more frequently, subject to budgetary constraints. In addition, there may be up to two days consultation/engagement per month per Committee Member. The scheduling of these processes will be determined by the Chair and Members as part of their establishment phase.
30. The Committee and Secretariat will be co-located at the Ministry for the Environment, have their own separate space in the building, and their own secure filing structure within the Ministry’s knowledge management system.
31. The Committee will manage all its own communications with specialist support from the Secretariat.

Consultation

32. The Committee is expected to consult widely and meet on occasions through the process with the public sector Chief Executives Board (CE Board). The Committee and its Secretariat will be independent of the CE Board. Provision has been made for the Committee to engage with similar agencies in other jurisdictions, especially the United Kingdom's Committee on Climate Change.
33. Consultation and engagement will be a critical and extensive part of Committee's work. The Committee is expected to consult with New Zealanders, and is likely to engage with the public, iwi/hapū/Māori, industry, technical experts, special interest groups, sector lead groups and other interested parties. Committee members will be accompanied and supported by Secretariat staff during such consultation.

Timeframes

34. The Committee is expected to begin its work in May 2018 and prepare its final reports on both agriculture and renewable electricity by 30 April 2019.
35. The Committee is expected to prepare its final report on 2050 emissions-reduction pathways on or before 24 December 2019, at the latest.
36. These timeframes for the Committee can be extended with agreement by the Minister for Climate Change.

Fees and reimbursements

37. Letters of appointment will detail the remuneration and reimbursement arrangements for the Chair and members.

Consensus

38. The Committee will operate on the basis of consensus and, where it is not possible to achieve a consensus, on the basis of majority vote with the Chairperson having the final casting vote.
39. The Chair will determine the meeting processes.

Media

40. The Chair will be responsible for any public statements on behalf of the Committee.

Attendance and substitutions

41. Members who are unable to attend a meeting of the Committee cannot be represented by a substitute or proxy.

Declarations of conflict

42. Members are responsible for declaring any real or potential conflict of interest to the other members of the Committee, as soon as the conflict arises.

General confidentiality requirements

43. In order for the Committee to operate effectively, members must maintain the confidence of the Committee, including maintaining confidentiality of matters discussed at meetings, and any information or documents (not otherwise publicly available) provided to the Committee.

44. The Committee will consider the potential impacts on the NZ ETS market when communicating with stakeholders or releasing information, both publicly and privately

Removal of members

45. Any serious breach of any of these terms of reference may result in the Minister removing a member from the Committee at their sole discretion. Serious breaches of the Terms of Reference include, but are not limited to, a breach of confidentiality, unauthorised communication with media about the Committee, or a failure to declare, or appropriately manage, a conflict of interest.
46. Any member removed from the Committee can be replaced with a new member at the discretion of the Minister for Climate Change.

Disestablishment of the Committee

47. The Committee will be disestablished when its reports are provided to the Minister for Climate Change, or when the purpose and functions of the Committee have been completed, as determined by the Minister for Climate Change.