The Treasury

Budget 2022 Information Release

August 2022

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2022 Bilateral: Hon James Shaw (Climate Change)

Date:	11 February 2022	Report No:	T2022/163
		File Number:	SH-10-8

Action sought

	Action sought	Deadline
Hon Grant Robertson **Minister of Finance**	**Discuss** the contents of this report at your meeting with Hon James Shaw (Climate Change) on 15 February.	15 February 2022

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Ben Hay-Smith	Analyst, Climate Change	[39]	N/A (mob)	✓
Nicky Lynch	Manager, Climate Change		[35]	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure:Yes Climate Bilateral - Final Annexes A and B.pdf

Treasury Report: Budget 2022 Bilateral: Hon James Shaw (Climate Change)

Executive Summary

This report provides you with advice ahead of your meeting with Hon James Shaw (Climate Change) at 9:15am on Tuesday 15 February to discuss Climate Change portfolio initiatives, Climate Emergency Response Fund (CERF) 2022 initiatives, and broader considerations and trade-offs for the CERF.

Overall, we support a CERF package of $1.782 billion (comprising of $1.626 billion operating and $156 million capital expenditure). This includes expenditure across several emissions-intensive sectors.

As the CERF is a multi-year fund, we have supported funding only for initiatives that are ready for implementation, on the basis that agencies can seek further funding in future years for climate expenditure.

Accordingly, there may be gaps where we have not recommended funding for initiatives that are included in the Emissions Reduction Plan (ERP).

It is difficult to accurately gauge the emissions reduction potential of a scaled CERF package, as estimates of anticipated emissions reductions were provided based on the full amount of funding sought. However, we have supported funding for key initiatives that are likely to support material emissions reductions.

We recommend considering any adjustments to the package against three key criteria:

- efficient use of public funds to drive emissions reductions; targeting high value for money initiatives that do not crowd-out private sector spending,
- managing delivery and implementation risks; carefully balancing the personnel supported in the package, given that there are significant overall workforce constraints and fully funding the initiatives would involve an increase of 130-180 climate-related FTE over 4 years, and
- giving effect to broader CERF objectives; noting particularly that the potential distributional impacts of the ERP are not yet clear, and that further work will be needed to understand likely impacts and possible mitigating actions.

Given the lack of implementation ready initiatives addressing distributional impacts our approach has been to fund pilots and early-stage initiatives, where possible, to facilitate the development of future initiatives in that space.

You will also be receiving separate advice from Climate CEs on the CERF. The key differences between our draft package and the advice provided by Climate reflect our focus on the rationale for government spending, delivery risk and implementation readiness of initiatives, while Climate CEs' advice focuses more on a package that is necessary and sufficient to deliver the ERP, meet emissions budgets, and enable an equitable transition.

The final section of the report provides advice specifically for the Climate Change portfolio, notably the significant workforce pressures for the Ministry for the Environment's Climate Change Directorate.

Key points of discussion for your meeting with Minister Shaw could include:

- the differences between Climate CEs and Treasury advice, which stem from the different considerations used in package formation as noted above,
- whether some initiatives can feasibly be delivered, given implementation readiness concerns, even if they are fully funded,
- how to balance severe workforce constraints against the desire for a larger CERF package, and
- how to ensure that distributional impacts of climate policy are accounted for through the CERF process in this and future packages.

Recommended Action

We recommend that you:

a **discuss** the contents of this report with Hon James Shaw (Climate Change) on 15 February, and

b **indicate** whether you are comfortable for the draft package to be forwarded to the Climate Response Ministers Group to inform your meeting on 16 February, or prefer to discuss the package with CRMG at a later date.

Nicky Lynch
Manager Climate Change

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2022 Bilateral: Hon James Shaw (Climate Change)

Purpose

1. You are meeting with the Minister of Climate Change, Hon James Shaw, at 9:15am on Tuesday 15 February to discuss the initiatives submitted for consideration through the Climate Emergency Response Fund (CERF) in Budget 2022 and initiatives in the Climate Change portfolio. This report provides you with advice and talking points to support your discussion.

2. The bulk of the report provides advice on the overall CERF package, including a summary of initiatives, recommended strategic choices for adjusting the package, and a comparison of the package to the advice provided by Climate Change Chief Executives (Climate CEs). The report's final section analyses initiatives within Minister Shaw's Climate Change portfolio.

3. Three annexes are attached to this report:

   - Annex A provides a full list of initiatives submitted for the CERF, the funding sought, the Treasury Vote team assessment and recommendation, how this is reflected in the Treasury's draft CERF 2022 package, and how it compares to the separate advice you have also received from the Climate CEs.

   - Annex B provides a list of non-CERF Climate Change portfolio initiatives in the Cluster and main Budget process.

   - Annex C provides talking points for your bilateral discussion with Minister Shaw.

CERF Process

4. In addition to Treasury's analysis on the CERF you will be receiving separate advice from Climate CEs on the initiatives submitted. This advice includes recommended funding amounts for each initiative, as well as considerations on the criticality and sequencing of ERP initiatives.

5. We have worked collaboratively with the Ministry for the Environment and other agencies involved with the ERP to support this parallel process of Climate CE advice and ensure that the lines of advice are complementary.

6. You may wish to use this discussion with Minister Shaw to test your overall comfort and explore the key differences between the advice. These key differences are highlighted in a later section in this report, and additionally included as a column in Annex B.

7. You may also need to choose now whether to forward this draft package advice on to the Climate Response Ministers Group (CRMG), in order to inform your discussion with them on 16 February.

Summary of Treasury's draft 2022 CERF package

8. We support a CERF package of $1.782 billion (comprising of $1.626 billion operating and $156 million capital expenditure).

9. This includes expenditure across several emissions-intensive sectors as follows.

Figure 1: Draft 2022 CERF package funding by emissions-intensive sector

Sector	**Funding recommended**
Transport	~$450 million
Agriculture	~$410 million
Energy	~$335 million
Forestry	~$275 million

10. The remaining ~$320m is distributed across [33] mitigating distributional impacts and ensuring an equitable transition, core climate change portfolio initiatives, and the waste sector.

11. In developing the package, we have considered:

- *The rationale for government investment*: whether public funding could partially or entirely crowd-out outcomes that the private sector would likely deliver in the absence of public funding, or that could be achieved through non-spending levers such as regulatory or market incentives,
- *Delivery/implementation risk*: whether initiatives are ready to be implemented and whether we can have confidence any delivery risks are manageable, and
- *Value for money*: overall value for money and relative value of initiatives, ensuring that initiatives do not crowd-out other higher-value Crown spending which can occur even when initiatives are implementation ready and have low deliverability risks.

12. We have not recommended funding initiatives that are underdeveloped. As the CERF is a multi-year fund, agencies can seek further funding in future years for climate expenditure. Instead, we have focused on supporting initiatives that create the foundations necessary to mitigate future risks (e.g. where supporting an initiative now can significantly mitigate the delivery risks associated with anticipated future spending needs).

13. We understand that there may be gaps where we have not recommended funding for some initiatives that are included in the ERP. A number of these gaps are driven by our approach to mitigating the risks identified above. Our view is that while it is suitable to include initiatives subject to further development in the ERP, this should not guarantee them funding in Budget 2022.

14. A full list of initiatives submitted to the CERF, including an indication of Treasury's recommended support as part of the draft 2022 CERF package, is attached in Annex A.

Emissions reduction potential of the draft 2022 CERF package

15. We are aware that delivering an ERP that is expected to achieve the emissions reductions necessary for the first emissions budget is a high priority for Ministers.

16. Agencies provided estimates of anticipated emissions reductions based on the full amount of funding sought. Information has not been provided to support a detailed understanding of the emissions reduction potential of scaled initiatives. For this reason, it is difficult to accurately gauge the emissions reduction potential of this scaled CERF package. However, as noted above, the draft package supports key initiatives that are anticipated to have material impacts in each of the emissions-intensive sectors listed in Figure 1 above.

17. The table below provides some preliminary comment on what we can say at this stage about the impact of our scaling on the initiatives that were expected to have the largest emissions impact. We will work further with the Ministry for the Environment as the package develops to provide further advice on the likely emissions impact. This includes analysis of the five largest bids that both had emissions quantification and were scaled significantly.

18. Figure 2: Impact on emissions reductions in scaled CERF package

		Sought		**Supported in Treasury draft package**	
Sector	**Initiative**	**Funding** ($m)	**Abatement** EB1-3 (kT/CO2e)	**Funding** ($m)	**Abatement** – Expected impact of scaling on abatement
Energy and Industry	*Funding further decarbonisation of industry and heat and implementing supporting policies*	$679	23,112	$270	Proposed scaling of around 60% is likely to have an impact on abatement of slightly more than 60%. However, the effect of scaling on abatement may be less because the requested funding level could be constrained by delivery capacity. Some amount of the scaled abatement will likely be driven anyway by the impact of emissions pricing. However, GIDI funding can accelerate when these emissions reductions take place, to meet emissions budgets.
Waste	*Reducing emissions from waste*	[33]	1,292	[33]	Scaling will not impact the level of abatement. Instead, a greater proportion will be funded by waste levy funding.

Forestry	*Establishing native forests at scale to develop long-term carbon sinks and improve biodiversity*	[33]	6,664	$145	Proposed scaling [33] may have some impact on emissions, through reduced scale and speed of seedling propagation. However, the initiative does not have material emissions impacts in the first emissions budget period.
Forestry	*Increasing woody biomass supply to replace coal and other carbon intensive fuels and materials*	[33]	3,843	$92	Proposed scaling [33] is not expected to have a significant impact on emissions reduction potential.
Transport	*Delivering mode-shift and reducing VKT in New Zealand's main urban areas*	[33]	1,145	$375	Proposed scaling only directly funds the $350m of programmes that missed funding in the National Land Transport Programme 2021. These programmes will have emissions impacts, but at a smaller scale than the original quantification. However, the overall abatement expected could be possible through non-CERF funding sources following the review of transport funding.

Fiscally significant initiatives

19. There are a small number of fiscally significant initiatives that you may wish to focus on in particular.

- $339 million for low-emissions innovation in agriculture (*Agriculture emissions reduction - Accelerating development of greenhouse gas mitigations*). <u>We have fully supported this initiative</u> given the limited options for abatement in agriculture at present, and the need to unlock lower-cost emissions reduction pathways for the sector.

- [34]

- $375 million for transport mode shift (*Delivering mode-shift and reducing VKT in New Zealand's main urban areas)*. [33] The scaled option supports work to review urban mode-shift plans in line with the ERP, along with $350 million of implementation ready mode-shift funding that missed out on the National Land Transport Programme 2021. [33]

- [33]

20. [33]

Strategic choices for the draft 2022 CERF package

21. We recommend considering any adjustments to the package against three key criteria.

Efficient use of public funds to drive emissions reductions

22. The draft package has targeted high value for money initiatives that support emissions reductions now or are likely to unlock future reductions through both public and private sector action.

23. There are further opportunities to support emissions reductions that appear implementation ready that we have not included in our draft package. As noted above, we believe a significant amount of this abatement is likely to be driven through non-spending levers, such as regulatory systems and emissions pricing mechanisms like the ETS. If Ministers want to take further action to support larger-scale emissions reductions in the short-term, there are options for additional Crown funding to support this.

24. Two examples where we have balanced the need for early emissions reductions against long-term value for money and efficient use of public funding are the GIDI and decarbonising the bus fleet. The draft package has scaled these initiatives so that some funding is provided the short-term, on the basis that over the medium- and long-term funding could be expected to come from the private sector or other funding sources in response to regulatory and market incentives and drivers.

25. In the case of the GIDI, choosing to provide more funding is likely to drive greater emissions reductions in the short-term. However, there could be a trade-off with funding higher-value initiatives that are a more efficient use of public funds in future years. There is also an opportunity cost associated with these emissions reductions not being driven by more efficient non-spending levers (such as regulatory action or the ETS).

Managing delivery and implementation risks

26. There are a range of delivery risks present across CERF initiatives, including constraints on workforces, infrastructure, and supply chains.

27. We have advised you separately on wages and workforce insights in Budget 2022 (T2022/54 refers), notably the significant number of additional FTE sought overall and our concerns about deliverability for the Budget package as a result.

28. CERF initiatives have sought a larger number of additional FTE within government than we think could realistically be accessed when considered within the broader context of the total FTE sought through the main Budget 2022 process. Given this we have scaled down FTE recommended for CERF initiatives to ease this pressure. However, it remains a key delivery risk.

29. Overall, the draft 2022 CERF package remains a significant increase to climate-related FTE within government. Based on current scaling, we anticipate that the package will lead to an increase of between 130-180 climate-related FTE over 4 years. Figure 3 below provides a preliminary analysis:

[33]

30. These estimates are based on Vote Analyst assessments as of 8 February 2022. We have assumed that all FTE sought will be housed in the initiative lead agency, unless there has been explicit direction otherwise. Accordingly, there may be slight shifts to which agencies FTE are located in for initiatives where the lead agency has not yet been confirmed. There may also be some reductions in personnel costs due to revising down overhead funding sought.[1]

[1] Spending review advice on the Natural Resource Cluster will be submitted to Cluster Ministers by Treasury on 17 February. In that advice, we are likely to recommend revising down the overheads sought by the Ministry for the Environment for their personnel initiatives. Because the same assumptions for overheads have been used for the Ministry for the Environment CERF bids, we expect that the revisions will have an impact on the size of the CERF package, resulting in our current figures being slightly overstated. We will capture any changes to affected initiatives in Budget Ministers materials, which you will receive in draft on 18 February.

31. The Treasury is also seeking updated workforce information from agencies across the whole Budget package to provide to you ahead of Budget Ministers 3. The information in Figure 3 should be considered preliminary until this update.

32. Any further scaling up of the CERF package will increase deliverability risks overall. To manage this risk, we would recommend prioritising the addition or expanded funding of initiatives where successful delivery is less reliant on FTE such as those that deliver funding directly to other organisations (e.g. the GIDI).

Giving effect to broader CERF objectives

33. The potential distributional impacts of the ERP are not yet clear and further work will be needed to understand likely impacts and possible mitigating actions. Given this, we recommend funding for foundational initiatives that begin to address these distributional impacts which are currently implementation ready. For example, *Supporting producers and Māori entities to transition to a low emission future* [33] *Equitable Transitions Programme* ($3.6m), and *Assisting low-income New Zealanders to shift to cleaner vehicles* (~$12m).

34. We have also supported a scaled version of *Māori Climate Action* (~$22m) to lay the foundations for engagement with iwi/hapū/Māori communities across the climate response.

35. Overall, our approach has been to fund pilots and early-stage initiatives where possible, to facilitate the development of further initiatives that address distributional impacts in later CERF rounds. This will allow us to leverage a better understanding of what initiatives are likely to be most effective and greatest value-for-money in delivering high quality outcomes.

Comparison with Climate CEs CERF package advice

36. You are also receiving advice from the Climate Change Chief Executives Board (Climate CEs) on 11 February. We have worked with other ERP agencies to support the parallel process to develop this Climate CE advice on the CERF package.

37. There are a number of similarities between the Treasury's draft CERF package and the recommendations within the Climate CE's advice. Key differences are driven by the different perspectives and objectives the Treasury and the CEs group bring to the table:

- Treasury analysis focuses on the rationale for government spending, delivery risk and implementation readiness. Our analysis is also able to leverage a fuller picture of resource constraints across government that are likely to influence potential implementation readiness and quality of initiative delivery.

- Climate CEs are primarily focused on advising on a package that is necessary and sufficient to deliver the ERP, meets emissions budgets, and enables an equitable transition. They have also focused on scaling and sequencing initiatives over time, balancing the objectives of the ERP, and balancing achieving emissions reductions in the first emissions budget with reductions anticipated in future emissions budget periods.

38. The CEs also provided advice for multiple packages. The Climate CE recommended packages are categorised in the following manner:

- “High priority B22” – funding that is deemed to be the highest criticality and sequencing priority.
- “Expanded B22” – funding that is deemed to be high priority for inclusion earlier, if additional funding were to become available; and
- “Future budget priorities” – funding that, while deemed important, has a lower sequencing priority and therefore is recommended to be supported in future budget rounds.

39. The Climate CE’s advice also identifies certain initiatives as “lower priority” all around, from both a criticality and a sequencing perspective.

40. Overall, the Climate CE advice supports approximately $1.7 billion more funding than the Treasury recommended CERF package as a “high priority” in B22. If “expanded B22” funding supported by the Climate CE’s are included, this number increases to just over $2 billion. Just over $550m of funding is classified by Climate CE’s as “lower priority” [33]

41. Key differences between Treasury’s draft package and the Climate CEs advice include:

- [33]
- *Further decarbonisation of industry and heat in implementing supporting policies*: Climate CE’s have recommended supporting [33] more than Treasury as an initiative with significant abatement potential.
- *Assisting low-income New Zealanders to shift to cleaner vehicles:* Climate CEs recommend significantly greater support ([33] more than Treasury), including support for a pilot of a vehicle scrappage scheme, and a tagged contingency for implementation of social licensing post-pilot.
- *Reducing emissions from waste:* Climate CEs recommend supporting a significantly larger waste package [33] citing the recommended package as the minimum amount required to deliver the anticipated emissions reductions for the sector. The key difference relates to whether there is a viable scaling option for this initiative, based on potential for a Waste Levy contribution.

42. Annex A provides a full comparison between the Treasury package and Climate CEs advice on an initiative-by-initiative basis.

Context specific to the Climate Change portfolio

43. The CERF includes several initiatives within the Climate Change portfolio, mainly providing departmental resource for policy work, engagement, and data analysis. If these CERF bids were fully funded, the size of the Climate Change directorate would increase by 50 FTE at peak in 2023/24 (a 62.5% increase), on top of the significant overall increase in FTE growth for the Ministry as a whole in recent years. If the Climate Change initiatives sought through the Natural Resources Cluster process were fully funded as well, this would entail a 70 FTE increase overall at peak in 2023/24 (an 87.5% increase).

44. A list of CERF initiatives in the Climate Change portfolio is included as part of Annex A.

Figure 4: Budget funding sought in the Climate Change portfolio

	CERF 2022	
	Sought	**Recommended (Package)**
Operating ($m)	[33]	61.536
Capital ($m)		4.710

[33]

45. Note that these estimates are based on Vote Analyst assessments as of 8 February 2022, and some bids may need revision as ERP related decisions are made.

Next Steps

46. Following your meeting with Minister Shaw, you will be attending a Climate Response Ministers meeting on 16 February. We will provide you with a separate briefing for that meeting early next week, including talking points for an update on the CERF process.

47. If you choose to forward this draft package advice to CRMG, we will tailor our briefing for the 16 February meeting to facilitate discussion on the package.

48. You will be meeting with Budget Ministers on 25 February to discuss the draft Budget package, including the CERF package. We will provide draft slides to support this meeting on 18 February.

49. Depending on the scale of the package you may wish to pursue, there is potential to allocate a large proportion of the CERF this year. If so, you may wish to consider "topping up" the CERF ahead of Budget announcements. We will provide you with advice on this as part of the fiscal strategy advice on 3 March.

Annex C: Talking Points

General

- Whether some initiatives can feasibly be delivered, given implementation readiness concerns, even if they are fully funded.

- How to balance severe workforce constraints against the desire for a larger CERF package.

- The differences between Climate CEs and Treasury advice, which stem from the different considerations used in package formation as noted above.

- How to ensure that distributional impacts of climate policy are accounted for through the CERF process in this and future packages.

Initiative-specific

- What the right funding balance is for *Delivering mode shift and reducing VKT in New Zealand's main urban areas*. Further funding from the CERF may entrench incentives to avoid funding mode shift through the National Land Transport Fund.

- Whether to support larger funding for *Further decarbonisation of industry and heat in implementing supporting policies* (the GIDI). Further funding may crowd-out private sector spending, and potentially hinder the ability of the ETS to send a robust price signal to the rest of the market.

- On *Agriculture emissions reduction - Accelerating development of greenhouse gas mitigations*, whether it is appropriate for CERF funding to fund agricultural emissions reductions. Given that CERF funding broadly mirrors the proceeds of the ETS (a carbon market) and that agricultural emissions are not included in the ETS, there may be pressure not to fund initiatives of this nature. However, there is a strong rationale for intervention to unlock more affordable emissions reductions for the agricultural sector in the future.

- [33]

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought: Opex avg ($m)	Funding sought: Opex total ($m)	Funding sought: Capex total ($m)	Funding recommended (Vote team): Opex avg ($m)	Funding recommended (Vote team): Opex total ($m)	Funding recommended (Vote team): Capex total ($m)	Funding recommended (Treasury draft package): Opex avg ($m)	Funding recommended (Treasury draft package): Opex total ($m)	Funding recommended (Treasury draft package): Capex total ($m)	Treasury comments	Comparison to Climate CE draft package
14056	Agriculture	Agriculture emissions reduction - Developing the He Waka Eke Noa pricing system (phase one)	This initiative funds essential development work necessary to support and enable decisions during 2022/23 on the options for the implementation of the agricultural emissions pricing scheme in accordance with new obligations under the Climate Change Response Act 2002.	$ 1.57	$ 6.28	$ -	$ 1.57	$ 6.28	$ -	$ 1.57	$ 6.28	$ -	This initiative funds essential work to enable decisions during 2022/23 on options for an agricultural emissions pricing scheme. This level of funding provides the minimum amount to progress work on a detailed business case, IT system prototype and reporting methodology, supporting the He Waka Eke Noa partnership. These three components directly respond to the Crown’s new obligations under the Climate Change Response Act 2002 to implement an agricultural emissions pricing scheme. This initiative builds core capability that would be required for any agricultural pricing scheme, therefore is not dependent on the policy decision taken by Cabinet in 2022.	No difference
14058	Agriculture	Agriculture emissions reduction - Accelerating development of greenhouse gas mitigations	This initiative will accelerate development and uptake of high impact agricultural mitigation technologies, reduce greenhouse gas emissions, and help meet our targets and international commitments. Funding will accelerate research, grow capability, expand greenhouse gas measurement capacity, streamline the path to market, and deliver demonstration programs to ensure there are fit for purpose tools for use on farm. Expanding international collaborations and our cleantech sector through innovation prizes will further raise both our international standing and contribution to reducing global agricultural emissions. Funding will also support matauranga-based approaches to reduce agricultural emissions, providing further options for Maori and non-Maori landowners to improve sustainability.	$ 84.69	$ 338.75	$ -	$ 84.69	$ 338.75	$ -	$ 84.69	$ 338.75	$ -	This initiative provides a step change in New Zealand’s investment to develop greenhouse gas (GHG) mitigations technologies. Funding will strengthen our place as a global leader in agricultural GHG reduction research and accelerate the delivery of emissions reduction technologies to market. Investment will also maintain New Zealand’s current contribution to the Global Research Alliance on Agricultural Greenhouse Gases (GRA). Building research capability and showcasing mitigation technologies is complementary alongside other on-farm extension services to enable a just transition. The initiative can be scaled across a number of components, primarily the significant amount of funding allocated to R&D and supporting cleantech start-up businesses.	No difference
14059	Agriculture	Agriculture emissions reduction - Supporting producers and Maori entities transition to a low emissions future	This initiative ensures farmers, growers and whenua Maori entities (producers) can access support and have the confidence to move to low emissions farm systems. Building on the He Waka Eke Noa partnership, it funds access to credible information and communications to help shift attitudes. It will increase on-the-ground and on-farm activities aimed at helping producers change farm practices and adopt new technologies, including through local producer groups focused on reducing emissions. It funds tikanga-based programmes to develop and support long-term low emissions profiles for whenua Maori. These tikanga-based programmes will be designed by Maori, with support from MPI, and supported by rohe-based Maori kaiarahi (pathfinders) to pilot and support implementation for whenua Maori.	[33]		$ 0.65	[33]		$ 0.65	[33]		$ 0.65	This initiative provides important extension services to support entities as they transition to low emissions production systems. Funding on-the-ground services will act as a complementary measure alongside other climate-driven agriculture initiatives. Proactive investment now will ensure producers and Maori entities are well-equipped when an agricultural emissions pricing system is introduced by 2025. Capability building will upskill rohe-based kaiarahi with specialised knowledge to partially mitigate the risk of market capacity constraints. However, officials should demonstrate the relative priority of primary sector climate initiatives to ensure deliverability in the most urgent areas. The initiative can be scaled down by approximately 30%, but will limit the reach of support.	No difference
[33]														
14030	Climate Change	Maori Climate Action	[33]	[33]		$ -	$ 5.46	$ 21.84	$ -	$ 5.46	$ 21.84	$ -	Maori will be disproportionately impacted by climate change and partnership is required from the beginning of the climate response to ensure an equitable transition. Scaled option would provide funding for only the Partnership and Representation Pou (the short-term Maori Climate Ministerial Advisory committee, Maori Climate Partnership and Representation platform, and Rangatahi Maori Climate Advisory group) and the Maori Climate Strategy process, to build the foundations for partnership and recognition of Iwi/Maori rights and interests across the climate response. [33]	Treasury supports a scaled amount that provides funding for the foundational Partnership and Representation pou [33] . Climate CE's recommend funding a larger scaled amount as a "high priority" in B22 and the remainder of the funding sought as a secondary priority in an "enhanced B22" package. Climate CE advice notes its recommended scaled amount would allow work on three pou to commence immediately.

[33]

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought: Opex avg ($m)	Funding sought: Opex total ($m)	Funding sought: Capex total ($m)	Funding recommended (Vote team): Opex avg ($m)	Funding recommended (Vote team): Opex total ($m)	Funding recommended (Vote team): Capex total ($m)	Funding recommended (Treasury draft package): Opex avg ($m)	Funding recommended (Treasury draft package): Opex total ($m)	Funding recommended (Treasury draft package): Capex total ($m)	Treasury comments	Comparison to Climate CE draft package
14051	Climate Change	Delivering New Zealand's international climate change target through offshore mitigation	This initiative provides funding to develop options for delivering 102MT offshore mitigation needed to meet New Zealand's international climate change target. This initiative supports meeting recommendations 30, and 31 of the Climate Change Commission's advice to Government. It includes work to scope, identify and develop sources of offshore mitigation including options in the Asia-Pacific region that support sustainable development, negotiate and implement links between the NZ ETS and international ETSs, and a strategy for sourcing offshore mitigation that can be shared publicly. This funding is required as this is a new work programme and requires specialised and specific capabilities and skillsets that are not captured by existing international climate work programmes.	[33]		$ -	[33]		$ -	[33]		$ -	Support scaled. This work programme will develop options to secure offshore mitigation to meet Aotearoa's target for emissions reduction under the Paris Agreement. We recommend scaling travel funding. This change will enable the work programme to proceed with minimal additional risks.	Treasury supports a scaled amount in B22, significantly scaling travel funding, but supporting the full FTE sought. Climate CE's also support a scaled amount as "high priority" in B22, also significantly scaling travel funding. Climate CE advice additionally notes that this initiative is not a high priority for the domestic ERP, but is important to meet our international commitments.
14055	Climate Change	Enable a scaled-up, high quality Voluntary Carbon Market	This initiative will fund a government-supported framework and approval scheme for a voluntary carbon market to serve the Carbon Neutral Government Programme and businesses. The bid includes: •Developing rules and standards to ensure credibility of offsets •Investigating offset opportunities for CNGP •Accreditation for providers and approval for projects. This will enable offsets that will achieve real emission reductions or removals, and which will help New Zealand meet targets. It will facilitate offsets in the order of 2 million tonnes CO2e per year (15-20 times the current market) while moving from mostly offshore credits to investing in New Zealand.	[33]		$ -	$ 0.09	$ 0.36	$ -	$ 0.09	$ 0.36	$ -	Support scaled. The existing voluntary carbon market (VCM) is small, largely reliant on offshore offsets and has variable credibility and environmental integrity standards. This initiative proposes a government-supported framework and approval scheme. We are not convinced that the most appropriate role for government in this market has been sufficiently explored to support funding. VCMs are predominantly private sector led in similar jurisdictions. There are also multiple delivery risks, including additional pressure on MfE resources and a lack of domestic certification services. While the CNGP has December 2022 reporting milestones, scoping work will identify the most appropriate enduring roles for government and the private sector. We recommend a 6-month scoping project with 3 FTE.	Treasury supports a significantly scaled 6-month scoping project before considering additional funding. Climate CE's recommend [33] of scaled funding as a "high priority" in B22 with an additional [33] indicated as a secondary priority in an "enhanced package". Climate CE's have recommended the remainder of the funding sought as a "future budget priority". Climate CE advice emphasises the importance of supporting a solution for offsetting for the CNGP programme from 2025.
14286	Climate Change	Emissions Reduction Plan Performance Monitoring	This initiative will fund a suite of monitoring and accountability mechanisms to ensure that delivery of the emissions reduction plan is on track. [33] These initiatives would ensure future policymaking supports the equitable transition to a low emissions economy. [33]	[33]		$ -	$ 4.07	$ 16.26	$ -	$ 4.07	$ 16.26	$ -	Emissions Reduction Plan delivery will be important to ensure the government remains on track to achieve its various emissions targets, and achieve the transition at minimal economic, fiscal, and social cost. Costs will depend on Cabinet decisions on the monitoring approach and potential establishment of an IEB, expected in March. Overall costs and which agencies they fall on could change. At this stage, scaling is likely to be necessary given workforce constraints and potential for reprioritization of existing resource once the first ERP is delivered. [33]	Treasury supports a scaled amount in B22, noting the CIPA components as being lower priority and not supported due to risks of exacerbating existing agency capability constraints. Treasury also notes required costs for this initiative depend on decisions yet to be made by Cabinet and that scaling is likely to be necessary. Climate CE's recommend funding the full amount sought as a "high priority" in B22, citing the importance of establishing a performance monitoring system upfront for the ERP [33] as being essential for NZ to plan and report with any accuracy on emissions reductions.
[33]														
13952	Economic Development	Developing a circular economy and bioeconomy strategy	This initiative will develop a cross-cutting circular economy and bioeconomy strategy to: -help maximise New Zealand's efforts to realise the full potential of the circular economy and bioeconomy for emissions reduction, through coherence of existing actions plus new actions -signal and accelerate New Zealand's shift from current business as usual economic activity to a high wage, low emission, inclusive economy -ensure opportunities are widely available in New Zealand's places and populations, equitable, with downsides minimised. The funding will support cross-agency development of the strategy, meaningful engagement, and inputs such as research into the ability of the bioeconomy to meet biofuel demand, resource flow maps, and a baseline of	[33]		$ -	$ -	$ -	$ -	$ 0.75	$ 3.00	$ -	The Climate Change Commission recommended that the Government develop a circular and bioeconomy strategy. We support the development of the strategy. However, there are other climate strategies with greater urgency, and the reasoning for new funding and FTEs is not well justified. The lead agency has not yet been agreed, which raises concerns that no attempt has been made to reprioritise funds or FTEs within baselines. This raises delivery concerns, as does the potential for 'engagement fatigue' with iwi. Should you wish to progress this strategy now, we recommend that engagement and data and measurement funding is provided as outlined in the scaled option ($3m over 22/23 to 24/25), and that FTEs are reprioritised within agencies baselines.	Treasury supports a scaled amount of $3m, with FTEs to be reprioritised within baselines from the lead agency. Climate CE's recommend funding the full amount as a secondary priority in an "enhanced B22" package. Climate CE advice also indicates that there may be merit in funding a scaled amount to focus on the bioeconomy elements of the initiative in the first instance while sequencing the circular economy elements for later.
[33]														
14064	Economic Development	Equitable Transitions Programme	This initiative will fund a programme to co-design an Equitable Transition Strategy in partnership with iwi/Maori and other stakeholders, as a key initiative in the Emissions Reduction Plan (ERP) and responding to the Climate Change Commission's (CCC) advice.	$ 4.08	$ 16.32	$ -	$ 0.90	$ 3.60	$ -	$ 0.90	$ 3.60	$ -	The Climate Change Commission recommended that the Government develop an Equitable Transitions Strategy. We support the development of the strategy. However, the significant costs of the full funding amount outweigh the benefits, due to overlap and delivery concerns. The co-design funding has significant overlaps with the Maori Climate Action CERF bid (14030), and the Strategy likely overlaps with the Just Transitions programme and the draft ERP chapter 'Ensuring an Equitable Transition'. The lead agency for the Programme has not been agreed yet, which raises concerns that no attempt has been made to reprioritise funds or FTEs within baselines. The scaled option will contribute to an equitable transition and potential future Strategy, while mitigating risks and reducing overlaps.	Treasury supports a scaled amount of $3.6m, due to overlap and delivery concerns. That a lead agency has not yet been identified is also cited as an opportunity to support the initiative through reprioritisation from baseline of that agency, when it has been identified. Climate CE's have recommended fully funding this initiative as a "high priority" in B22. The work is cited as intensive and time-consuming, and something that is critical to be undertaken and started immediately.
13808	Energy and Resources	Readying the energy system to transition to a low emissions economy through an energy strategy and regulatory frameworks	This initiative will support the energy system to transition to a low carbon economy. The components of this initiative are co-development of a strategy to decarbonise the energy system with iwi/Maori, developing a regulatory framework for offshore renewable energy, and developing a roadmap for development and use of hydrogen. These will facilitate the introduction of low carbon fuels and greater renewable electricity to drive New Zealand's transition to a low carbon economy. Other aspects, such as the role of biofuels and gas transition will be developed alongside the strategy.	[33]		$ 0.15	$ 3.82	$ 15.26	$ 0.15	[33]		$ 0.15	The Climate Change Commission recommended the development of an energy strategy in their final advice. We support funding for this aspect of this initiative, with additional FTE funding to consider how security of supply can be ensured (refer initiative 13812). We recommend that you defer funding for the development of a hydrogen roadmap and a regulatory framework for offshore wind energy until the overall energy strategy is developed, as there is delivery risk if there is not sequencing of initiatives. Additional delivery risks include the need to align the strategy with investment and with existing strategies, and workforce constraints related to hiring FTE. We note that the security of supply policy measures developed for Cabinet to consider may have future fiscal impacts.	Treasury supports full funding of the initiative, but deferring funding for the offshore wind regulatory framework. Climate CE's recommend full funding, but as a secondary priority as part of their "enhanced B22" package. Climate CE advice also notes that funding for elements that support stakeholder engagement and strategic partnership with Iwi/Maori could be scaled back, if this is able to be supported by other funding.

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought: Opex avg ($m)	Funding sought: Opex total ($m)	Funding sought: Capex total ($m)	Funding recommended (Vote team): Opex avg ($m)	Funding recommended (Vote team): Opex total ($m)	Funding recommended (Vote team): Capex total ($m)	Funding recommended (Treasury draft package): Opex avg ($m)	Funding recommended (Treasury draft package): Opex total ($m)	Funding recommended (Treasury draft package): Capex total ($m)	Treasury comments	Comparison to Climate CE draft package
[33]														
13812	Energy and Resources	Electricity market measures to support the transition to a highly renewable electricity system	This initiative will develop and implement electricity market measures that support reliable and affordable electricity supply while accelerating the transition to a highly or fully renewable electricity system. It also includes funding to facilitate public sector procurement of renewable electricity via long term power purchase agreements, [33]	[33]		$ 0.04	$ -	$ -	$ -	$ -	$ -	$ -	We recommend that resourcing to develop a package of proposals to ensure an orderly transition to renewable generation is funded as part of an overall energy strategy (see initiative 13808). [33]	Treasury recommends deferring this initiative, suggesting that elements of the initiative are best supported through support of initiative 13808 and other elements are best sequenced after other work has been completed. Climate CE's recommend funding the core technical components of this bid ($5.28m) as a "high priority" in B22, noting some of the other components are less critical.
13814	Energy and Resources	Funding further decarbonisation of industry and heat and implementing supporting policies	This initiative provides funding to reduce business energy emissions and resource the implementation of new supporting measures. With this funding, businesses will improve energy productivity, bring forward fuel-switching projects, and reduce exposure to carbon price risk. This represents an attractive investment for government in domestic emission reductions and accelerates action to meet climate targets. It will increase the Government Investment in Decarbonising Industry Fund, and provide funding for smaller businesses, commercial heating decarbonisation, and energy efficient equipment. It will also resource the implementation of an energy and emissions reporting scheme, national direction on industrial emissions and a plan for decarbonising industry.	$ 169.50	$ 677.99	$ 0.57	$ 67.35	$ 269.38	$ 0.42	$ 67.35	$ 269.38	$ 0.42	Our recommended funding would support: an extension of the current model of the Government Investment in Decarbonising Industry (GIDI) fund; energy efficient motors grant scheme; scaled funding for FTE for policy work on implementation of national direction on greenhouse gas emissions. The recommended grant schemes offer gross emissions reduction opportunities within the first emissions Budget and prevent inefficient long-life assets from being locked in. There is some risk associated with availability of installers and supply constraints. We recommend deferring a new grants scheme for commercial heating, given public consultation on the Building for Climate Change programme will occur in 2022.	Treasury supports a scaled package, but notes that the emissions reductions supported by this initiative are those which should be expected to be driven by the private sector in response to incentives (such as emissions pricing through the ETS). Climate CE's identify this bid as a "high priority" for B22 and recommend funding it in full due to the materiality of the bid to the anticipated emissions reductions required to meet emissions budgets (including EB1).
[33]														
13823	Energy and Resources	Supporting renewable and affordable energy in New Zealand communities	This initiative funds delivery of community-based renewable energy projects, including grants for the development costs of projects, and fund implementation costs. Funded projects will be innovation pilots to support New Zealand's energy transition. Projects will enable access to secure, renewable and more affordable energy, with a focus on low income communities and/or insecure access to energy. Solutions will be tailored to local energy needs, capacity and resources. Funding would cover renewable energy generation options (e.g. solar, geothermal), and means of optimising energy use (e.g. energy storage and demand management). Funding would also support efficiency measures, education and capacity building in the target communities (where these costs are not covered by other initiatives).	[33]			$ -	$ -	$ -	$ -	$ -	$ -	Funding for community-led renewable energy projects is not time critical and may become more feasible as policy and technology to support the renewable transition develop. There is a delivery risk, as there is a lack of detail about how the fund would work, the readiness of projects and general resourcing constraints. Targeting other sectors (e.g. industrial emissions) may deliver more emissions reductions faster. Some existing funding to trial renewable energy technologies is available through the Maori and Public Housing Renewable Energy Fund. If you do wish to fund this initiative, we recommend a $20m scaled option as a trial.	Treasury recommends deferring this initiative, citing delivery risk and suggesting that there may be more efficient ways to target, and fund, the outcomes this initiative seeks to achieve. Treasury also notes that if funding this initiative was desired in B22, it would recommend supporting [33] for pilot projects. Climate CE's recommend supporting this [33] scaled amount as a secondary priority in an "enhanced B22" package, if additional funding were to be made available in B22.
14248	Environment	Reducing emissions from waste	This initiative seeks to implement a suite of proposals to reduce emissions in line with the target reduction pathway in the Emissions Reduction Plan - to reduce waste biogenic methane emissions to at least 40% below 2017 levels by 2035. Leveraging waste levy revenue, this initiative will kick-start the necessary investment in organic waste emissions reduction, unlocking transformational local government and private sector investment, bridging infrastructure, data and regulation gaps over the next four years and beyond. Fully funding this initiative will deliver resource recovery infrastructure, behaviour change programmes, [33] , research for improvements to landfill gas capture and a national waste data programme - enabling emissions to be reduced.	[33]		$ -	$ 21.98	$ 87.90	$ -	[33]		$ -	Improved waste data, and investment in collection and processing infrastructure for organic waste is critical for reducing biogenic methane from organic waste (at present this is quite piecemeal). We recommend funding a scaled option that includes infrastructure investment for 2022/23 and 2023/24 (in addition to waste levy contributions), at which point waste levy revenue should begin to support these infrastructure investments. The scaled option also assumes more waste levy contributions to emissions reduction infrastructure than the preferred option. We recommend that waste data requirements be funded for four years because that will be critical for monitoring of the Emissions Reduction Plan, and also recommend funding behaviour change programmes.	Treasury supports a scaled amount in B22, noting the importance of the waste levy to support elements of infrastructure investment sought. Climate CE's recommend [33] to be funded as a "high priority" in B22 and an additional [33] recommended in an "enhanced" package as a secondary priority. The balance of funding sought is recommended as a "future budget priority". Climate CE's frame their recommended funding as a minimum viable package for this initiative to achieve the emissions reductions needed from the Waste sector.
[33]														
14057	Forestry	Increasing woody biomass supply to replace coal and other carbon intensive fuels and materials	Woody biomass offers the best alternative to coal, and sufficient supply is critical to decarbonisation. Projections show New Zealand faces woody biomass shortages by 2030, while demand is expected to rise sharply as efforts to reduce carbon emissions from fossil fuels pick up pace. This initiative will increase biomass supply and stimulate private sector investment to alleviate projected shortages, through Crown planting 10,000ha of short rotation energy forest, and targeted research and development. The initiative will help transform forestry and wood processing to a high-value, high wage sector. Action is needed now to stimulate biomass production and provide certainty to a developing industry which will play a critical role in the just transition to a low emissions economy.	[33]		$ 52.11	$ 7.37	$ 29.49	$ 61.59	$ 7.37	$ 29.49	$ 61.59	This initiative will increase woody biomass supply significantly to meet projected shortages by 2030. It is unclear whether Crown investment in short rotation crops is the best avenue to stimulate private sector investment, however provides a necessary stimulus to bridge a prospective supply gap and encourage continued uptake of coal alternatives. [33] . Treasury recommends deferring research components in light of other priorities. This initiative could be scaled proportionately to reduce the amount of short rotation crops planted, and amount of woody biomass supplied to market.	No difference
14061	Forestry	Establishing native forests at scale to develop long-term carbon sinks and improve biodiversity	This initiative responds to the Climate Change Commission Recommendation 25: increase native afforestation to create permanent carbon sinks to offset emissions from hard-to-abate sectors. It removes some key barriers for native afforestation: increases propagation capacity, using automated technology to scale up native seedling production and reduce costs; facilitates innovation in seed collection, propagation and forest establishment including restoration, through focused research; and develops a long-term national strategy and action plan to grow native forests in partnership with rural landowners, iwi/Maori, foresters, communities and the private sector. In addition to carbon benefits, this programme aims to benefit biodiversity to support wider environmental outcomes, and te ao Maori.	[33]			$ 16.15	$ 64.61	$ 80.35	$ 16.15	$ 64.61	$ 80.35	This initiative will increase nursery capacity to support native afforestation at scale, creating permanent carbon sinks to offset emissions from hard-to-abate sectors. Investment will remove key barriers to native planting, greatly increasing propagation capacity by leveraging automation technology and promoting innovation in seed collection and forest restoration. [33]	No difference

Annex A: CERF Initiatives

ID	Portfolio	Title	Description	Funding sought			Funding recommended (Vote team)			Funding recommended (Treasury draft package)			Treasury comments	Comparison to Climate CE draft package
				Opex avg ($m)	Opex total ($m)	Capex total ($m)	Opex avg ($m)	Opex total ($m)	Capex total ($m)	Opex avg ($m)	Opex total ($m)	Capex total ($m)		
14062	Forestry	Maximising carbon storage: increasing natural sequestration to achieve New Zealand's future carbon goals	This initiative will maximise sequestration benefit from forestry and other land uses, drive increased carbon storage in long-lived wood products, and quantify the mitigation potential of coastal ecosystems. It will: fund research to link forest carbon storage to management; quantify the carbon impact of management in non-forest land use, soil, and coastal ecosystems; and stimulate investment in wood processing to maximise carbon stored in wood products. Together these initiatives will [33] contribute to the first three emission budgets [33] over 2022-2035. [33]	[33]			$ 9.71	$ 38.85	$ -	$ 9.71	$ 38.85	$ -	This initiative helps to better account for sequestration benefit from forestry and drive increased carbon stored in long-lived wood products. Treasury supports funding that will improve emissions accounting in New Zealand, through research focused on delivering ETS carbon look-up tables and new methodologies to measure carbon stock change. The case for investment in long-lived wood products is unclear. A long-lived wood processing accelerator contestable fund lacks implementation readiness. We suggest conducting further work through the Forestry and Wood Processing ITP to demonstrate the benefits of incentivising domestic wood processing and long-lived wood products.	Treasury supports a scaled amount in B22 focused on delivering ETS look-up tables and new methodologies to measure carbon stock change. Climate CE's recommend $111.9m as a "high priority" in B22 with the remainder recommended for funding as a "future budget priority". Climate CE's scaled funding in B22 reduces the component of the bid associated with incentives to plant timber used for long lived wood products.
[33]														
13827	Transport	Delivering mode-shift and reducing VKT in New Zealand's main urban areas	Investment to achieve significant mode-shift to public and active transport and reduce vehicle kilometres travelled (VKT). Funding to support legislative changes to enable congestion charging, making investment in mode-shift more effective and creating a 'step change' for transport in NZ. This bid covers 3 main areas: 1.Developing ambitious, step change, national and urban programmes to support mode-shift to public and active transport and reduce light vehicle VKT in our largest cities. 2.Supporting a major uplift in public transport and active travel, through implementing planned and new activities that support mode-shift to public and active transport and VKT reduction.	[33]		$ -	$ 93.64	$ 374.55	$ -	$ 93.64	$ 374.55	$ -	Support scaled. We support development of a national plan for reduction of Vehicle Kilometres Travelled, complemented by programmes for Tier 1/2 urban centres. [33] . We recommend $350m be held in a tagged contingency for mode shift projects in the National Land Transport Programme 2021 that otherwise wouldn't be funded. Drawdown should be subject to detail being provided on these projects, especially on value and deliverability thereof. We do not support any further contestable funding through this Budget - future funding for mode shift pipeline projects should be based on detailed consideration of value for money, strategic alignment to the above plans, market capacity, and whether other funding sources can be used in the first instance.	Treasury supports a scaled amount supporting mode shift projects in the National Land Transport Programme that otherwise wouldn't be funded. [33] . Climate CE's recommend funding the same scaled amount as a "high priority" in B22 plus an additional [33] The balance of funding sought is recommended as a "future budget priority".
13828	Transport	Building a sustainable skilled workforce to support upscaling of bus networks	This initiative will provide funding to public transport authorities to support measures aimed at increasing the recruitment and retention of bus drivers. This could include: •increasing bus driver wages [33] •timetable changes that will allow more drivers to be offered straight shifts rather than split shifts, which are generally more attractive to drivers. This will help to address current bus driver shortages until longer-term solutions are in place for future contract rounds that will protect or improve driver wages and conditions. Work on these longer-term solutions is envisaged as part of the review of the PTOM.	[33]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	Do not support. We acknowledge that the issues identified in this initiative are likely to pose genuine constraints to mode shift / upscaling of public transport in future. However, we are concerned that the ad-hoc, time-limited solutions proposed in this initiative do not provide a sustainable pathway forwards or address the underlying systemic issue, and would need to be revisited in the near future. Public Transport Authority-led solutions should be explored first, and Crown support only sought where there is a residual gap. Where there are specific, urgent barriers to maintaining a bus driver workforce, we would expect these to be articulated as part of the urban Vehicle Kilometres Travelled (VKT) plans, and dealt with through a workforce strategy if necessary.	No difference
13837	Transport	Making public transport more affordable for low-income New Zealanders	This initiative will fund a nationwide expansion of the Community Connect public transport concession, providing a 50 percent concession on public transport for Community Services Card (CSC) holders for peak and off-peak services (currently being implemented as a pilot in Auckland). This is intended to encourage greater public transport use and support a just transition for low-income New Zealanders and those receiving a benefit, by reducing transport costs. Similar to the Auckland pilot, public transport cards (eg Snapper, BEE Card) will be issued to CSC holders, pre-loaded with the concession. There are approximately 1 million CSC holders in New Zealand; 330,000 of whom are in the Auckland region.	$ 15.41	$ 61.62	$ 2.28	$ -	$ -	$ -	$ -	$ -	$ -	Do not support. The Auckland trial of this scheme is in an early stage, so there is not yet compelling evidence to support the assumption that lowering fare costs would meaningfully impact mode shift. There are also outstanding implementation issues around changing CSC regulations. It is unclear how this initiative interacts with other fare subsidies, or how these impact revenue as a whole. We have concerns about the sustainability of funding substantial mode shift programmes while simultaneously reducing fare revenue - a tension that will be explored through the Land Transport Revenue Review. We recommend consideration is given to how subsidies, existing and proposed, could be rationalised to ensure they deliver value for money and focus on users for whom cost is the key barrier to use.	Treasury recommends deferring consideration of this initiative. Climate CE's note that this initiative is not as high priority for inclusion in the B22 CERF package. A scaled version of expansion to one other major centre has been recommended in an "enhanced package", with the remainder of funding sought recommended as a "future budget priority".
13839	Transport	Assisting low-income New Zealanders to shift to cleaner vehicles	This initiative provides funding to design, conduct and evaluate trials to make low-emission vehicles affordable for low-income people. The trials will inform Ministers' final decisions on how targeted longer-term assistance would be provided. Examples of the trials that are the most likely are: •a vehicle social leasing trial, which would lease low-emission vehicles to low-income participants •an equity-oriented vehicle scrap and replace trial, which would provide targeted assistance to low-income households to purchase a low emission vehicle upon scrapping a vehicle.	[33]		$ -	$ 2.93	$ 11.72	$ -	$ 2.93	$ 11.72	$ -	Support scaled. We support a trial of the social leasing scheme as it has potential to support mode shift options for low-income New Zealanders whose day to day journey times or destinations are poorly served by public transport. We consider there is scope for market delivery, and funding should be contingent on a report back to Cabinet identifying any options for running the pilot as a partnership model with private/community organisations. Any future funding for a rollout of the scheme should be dependent on the outcome of the trial. We do not support trialling a vehicle scrappage scheme. It is unlikely that the scheme would make a meaningful difference to shifting low-income New Zealanders away from high emitting vehicles, as few affordable and/or accessible alternatives exist.	Treasury supports a significantly scaled amount in B22 to support a trial of the social leasing scheme, but does not recommend creating a tagged contingency for roll out until the trial is completed. Treasury does not support trailing or funding a full vehicle scrappage scheme. Climate CE's recommend $334.2m as a "high priority" in B22, including the social leasing trial and the full scheme (in tagged contingency), but excluding a contingency for national roll-out of the vehicle scrapping scheme.
13840	Transport	Accelerating the decarbonisation of the public transport bus fleet	[33] This initiative provides contestable funding administered by Waka Kotahi NZ Transport Agency to support PTAs to meet the cost of decarbonising the public transport bus fleet by 2035, by: •helping PTAs meet additional operating costs of deploying low- or zero-emission vehicles and/or •supporting PTAs to take ownership or control of assets necessary to deploy			$ -	$ 10.16	$ 40.65	$ -	$ 10.16	$ 40.65	$ -	Support scaled. We support funding the price difference between diesel buses and electric buses, for all buses that are coming up for replacement/contract renewal to June 2025. We understand that from 2025 onwards, there is expected to be a mandate for all new Public Transport buses to be zero-emissions. Therefore, beyond 2025, we would not expect this scheme to function as a genuine 'enabler', or represent value for money. Whilst there may be affordability pressures after 2025, we recommend these be considered at that time once details of the mandate are known. We do not support funding for administrative costs as these appear to be arbitrarily determined and high - we would expect administrative costs to be met within the supported funding envelope.	Treasury has supported a scaled amount to fund the price difference between diesel and electric buses for buses that are coming up for replacement/contract renewal. This will be time limited to June 2025. Climate CE's have recommended the same scaled amount be supported as a secondary priority in B22 as part of an "enhanced package".
13841	Transport	Accelerating the decarbonisation of freight transport	This initiative supports three activities to enable decarbonisation of the freight and supply chain sector: •Funding to develop business cases and research programmes to inform the decarbonisation aspects of the National Freight and Supply Chain Strategy. •Resource for the Freight Decarbonisation Unit within Te Manatu Waka to develop the Strategy and implement other freight-related actions in the Emissions Reduction Plan. •Contestable co-funding to support organisations in demonstrating low emission freight solutions. This would be delivered by the Energy Efficiency and Conservation Authority. This initiative supports the Emmissions Reduction Plan focus area of 'Beginning work now to decarbonise heavy transport and freight' and the	$ 5.03	$ 20.12	$ -	$ 5.03	$ 20.12	$ -	$ 5.03	$ 20.12	$ -	Support. The components of this initiative relating to the National Freight and Supply Chain Strategy should be pre-requisites to any further Emissions Reduction Plan (ERP) work in this space. As such, we support funding this year, so as to minimise the risk of a bottleneck on ERP activity in future. The contestable co-funding component of this scheme represents a targeted extension of an existing scheme run by the Energy Efficiency and Conservation Authority (EECA), we understand this scheme has been effective at delivering value for money to date.	No difference

Annex A: CERF Initiatives

[33]

ID	Portfolio	Title	Description	Funding sought			Funding recommended (Vote team)			Funding recommended (Treasury draft package)			Treasury comments	Comparison to Climate CE draft package
				Opex avg ($m)	Opex total ($m)	Capex total ($m)	Opex avg ($m)	Opex total ($m)	Capex total ($m)	Opex avg ($m)	Opex total ($m)	Capex total ($m)		
Total				$ 1,633.55	$ 6,534.20	$ 3,627.88	$ 400.97	$ 1,603.89	$ 154.76	$ 406.45	$ 1,625.81	$ 155.96		

Annex B: Climate portfolio initiatives in the Cluster and main Budget processes

				Funding sought			Funding recommended (Vote team)			Funding recommended (draft package)			
ID	**Initiative Type**	**Title**	**Description**	**Opex avg** *($m)*	**Opex total** *($m)*	**Capex total** *($m)*	**Opex avg** *($m)*	**Opex total** *($m)*	**Capex total** *($m)*	**Opex avg** *($m)*	**Opex total** *($m)*	**Capex total** *($m)*	**Treasury comments**
14234	Climate portfolio, main Budget process	Supporting He Pou a Rangi Climate Change Commission to advise on a thriving, low emissions and climate resilient future	This initiative will grow the Climate Change Commission's capacity as it advises on a thriving low emissions and climate resilient future. The Commission is new; funding levels were set before the true size and scope of their task was understood. Funding this bid will enable them to grow a strong credible evidence base – delivered through greater capacity in modelling, research and analysis – and enable them to advise Government on smarter policy decisions, helping manage Crown liability. It will enable them to respond to additional legislated requests from Ministers and defend against legal challenge. To give effect to Treaty obligations they need further capability to meet data needs, engage, and establish a Maori expert advisory body. [33]	[33]			$ 3.12	$ 12.46	$ 2.76	$ 3.12	$ 12.46	$ 2.76	The Climate Change Commission faces cost pressures which create risks for their work to advise the government on a range of climate-related issues. However, some components of this initiative are not critical, and can be removed or deferred. Recommend funding a scaled amount to reflect pressures on the Commission's existing resources, excluding components not considered critical. Included components include the current Judicial Review defence, science and economic capabilities, the adaptation team, the additional Board member, the Maori advisory body, new modelling capability, and accommodation. [33]
14245	Climate portfolio, main Budget process	New Zealand Emissions Trading Register server, reporting and useability upgrades	This initiative will fund: upgrading of the New Zealand Emissions Trading Register (the Register) Windows 2012 servers to Windows 2019; purchase of extended support, for two years, for the Register's 2012 servers; Register reporting improvements; Register useability improvements.	[33]			$ 0.44	$ 1.75	$ 2.76	$ 0.44	$ 1.75	$ 2.76	Support scaled. We support the critical upgrades sought in the initiative [33]. These could be considered alongside any recommendations from the EPA's upcoming baseline review.
14295	Climate portfolio, Natural Resources Cluster process	Climate change funding to deliver adaptation and New Zealand's low-carbon future	This initiative provides funding for urgent cost pressures in the Ministry for the Environment climate change work programme. New legislative architecture requires increased resourcing to implement. As the scale and pace of the Government's ambition on climate change has increased, the funding required for the Ministry to maintain its responsibilities and stewardship functions is significantly beyond the current baseline. Funding will ensure the Ministry can implement a complex and cross government work programme, including existing climate initiatives, while continuing to keep pace with the Governments growing ambition on climate change.	[33]		$ -	$ -	$ -	$ -	[33]		$ -	This is a multi-component cost pressure, where some components are discretionary. We recommend that existing FTE are prioritised over new due to labour constraints. We recommend funding existing He Waka Eke Noa FTE, but only a small portion of the climate litigation FTE. We also recommend scaling out components related to identifying and securing a climate evidence base, a professional development programme, forestry consultancy, [33].
14303	Climate portfolio, Natural Resources Cluster process	Climate Adaptation Act development and delivery	This initiative will provide policy and engagement capability and technical expertise to develop a new Climate Adaptation Act (CAA) as part of reforms to the resource management system. The CAA will address complex legal and technical issues associated with managed retreat.			$ -	$ -	$ -	$ -			$ -	The timing for introduction of the Climate Adaptation Act is currently unclear, but the bid as framed seems ambitious given pressure in this area of policy development, which creates a delivery risk. Given labour market constraint across government, we recommend dedicating a smaller number of new FTE to this work, particularly given the existing team is much smaller than the number of new FTE sought.
Total				**$ 22.44**	**$ 89.77**	**$ 9.45**	**$ 3.55**	**$ 14.21**	**$ 5.52**	**$ 17.29**	**$ 69.15**	**$ 5.52**	