

# The Treasury

## Budget 2024 Information Release

### September 2024

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# Aide Memoire

**To** Hon Simon Watts, Minister of Climate Change

**From** Lisa Daniell, Executive Director, Climate Change Chief Executives Board Unit

**Date** 22 May 2024

**Subject** Climate Implications of Budget 24

**Ref** BRF-4769

**Security**

## Purpose

1. This briefing provides an overview of the Climate Implications of Policy Assessment (CIPA) that the Climate IEB Unit developed in collaboration with Treasury to support consideration of climate impacts of Budget 24 (B24) decisions.

## Key messages

2. The CIPA is the existing tool available to ensure that Ministers are aware of the implications a decision may have for New Zealand's future greenhouse gas emissions.
3. The scope of the B24 CIPA covered a subset of 40 initiatives from the B24 package that officials considered could have more material climate impacts. This included both new investment and savings initiatives. The CIPA for B24 was finalised in mid-May to reflect final Budget decisions and the recent 2024 greenhouse gas inventory update.
4. The assessment undertaken was based on the limited information provided by agencies and found the subset of initiatives in scope of the CIPA were not expected to materially impact emissions in the first emissions budget period (EB1 2022-25).
5. However, there are some initiatives that will increase the existing considerable uncertainty associated with meeting second and third emissions budgets (EB2 2026-30 and EB3 2031-35 respectively) and the first NDC (2022-30).
6. We understand you have discussed with the Minister of Finance how to provide the CIPA to Cabinet, and agreed this requirement will be met through a Cabinet paper.

*The CIPA also highlighted that:*

7. Of the subset of initiatives considered, only seven provided quantifiable data on the emissions impact of the initiative. The limited available data made it challenging to robustly assess the cumulative emissions impacts, and it was therefore hard to be conclusive about the climate impact of the Budget package.

8. Some of the savings initiatives were enabling policies. While these were not delivering direct abatement, they were originally intended to enable abatement in future emissions budget periods. If this abatement potential is not replaced through new or enhanced existing action(s) then it is anticipated those initiatives will have a negative impact on emissions in later emissions budgets periods (and also negative impacts on the first NDC).
9. The climate impact of two initiatives (agricultural emissions pricing, waste disposal levy) will be or has already been considered by Cabinet when policy decisions are/were taken.
10. Decisions on policies and actions to take through the second Emissions Reduction Plan will be critical to addressing any abatement impacts resulting from Budget initiatives, to improve the certainty for meeting EB2 and EB3, and for the NDC.

### **Next Steps**

11. The Minister of Finance will lodge the Cabinet paper on the CIPA on 23 May, for Cabinet consideration on 27 May.