

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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Treasury Report: Climate Implications of Policy Assessment for Budget 2024 package

Date:	17 May 2024	Report No:	T2024/1358
		File Number:	SH-10-8-6-1-M105452

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Agree to take an oral item to Cabinet at your earliest convenience and before Budget Day, providing the Climate Implications of Policy Assessment (CIPA) to Ministers.</p> <p>Refer the attached CIPA to the Minister of Climate Change and seek his agreement to this approach;</p>	20 May 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Anastasia Kostecyjk	Analyst, Climate Change ^[39]	^[35]	
Alex Hamilton	Team Leader, Climate Change		✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Climate Implications of Policy Assessment for Budget 2024 package

Purpose of Report

1. This report:
 - a provides you with the updated Climate Implications of Policy Assessment (CIPA) for the Budget package (Attachment 1);
 - b corrects previous advice we provided to you on the requirement for a CIPA in the case of the Budget 2024 Cabinet paper [T2024/1142 refers]; and
 - c recommends you provide the CIPA to Cabinet Ministers before Budget Day.

Background

2. As part of the Budget 2024 development process, Treasury commissioned the Climate Change Interdepartmental Executive Board (CCIEB) Secretariat to prepare a CIPA for relevant initiatives in the Budget package. A near-final version of this was provided to you on 19 April alongside a draft of the Budget 2024 Cabinet paper.
3. You asked Treasury to confirm whether the threshold for a CIPA to be required was met based on the near-final Budget package. We indicated that it was not, and based on this advice, you decided to reference in the Budget Cabinet paper that you had received an assessment of the climate impacts of the Budget package and were advised that a CIPA was not required in this instance [CAB-24-MIN-0148 refers].
4. You also indicated in the Budget 2024 Cabinet paper that you would send the assessment to the Minister of Climate Change. This was planned for later in May to allow for final Budget decisions to be reflected through an updated CIPA. The quantified figures are unchanged from the near-final version that you received previously, and findings and key themes remain the same. The final CIPA for the Budget 2024 package is attached to this report.

Update on CIPA requirements

5. Treasury's advice that a CIPA was not required for the Budget Cabinet paper was based on a misinterpretation of the time-period over which emissions impacts fell, for which we apologise. Under Cabinet Office Circular CO (20) 3, a CIPA is needed for proposals going to Cabinet if the direct impact on emissions is likely to be equal to or above 0.5 Mt CO₂e within the first ten years of the proposal period.
6. Our interpretation was based on how the information was presented in the draft CIPA, over five-year intervals (2020-2025, 2026-2030, 2031-2035, and 2036-50). We interpreted the first 10 years of the proposal to include the 2020-2025 and 2026-2030 periods, rather than from 2024-2034 or the 10 years after Budget 2024. Over the 2020-

2030 period, quantified emissions impacts were estimated to be around 0.436 Mt CO₂e. However, when considering the 2024-2034 period, the quantified emissions impacts are estimated as closer to 0.870 MT CO₂e, which is above the threshold for requiring a CIPA.

7. The five-year intervals in the CIPA template also generally align with emissions budget periods. ^[36]

This led us to be over-focused on the impacts of decisions over the first (EB1, 2022-2025) and second emissions budgets (EB2, 2026-2030), rather than the period over which the CIPA requirements applied.

8. This was primarily a Treasury judgement, although this was quickly tested with the CCIEB Secretariat afterwards, who similarly made this interpretation. The CIPA team at the Ministry for Environment are typically consulted on CIPA requirements and development but were not in this case due to Budget sensitivity.

Options

9. CO (20) 3 provides options for when a Cabinet submission is missing or includes an inadequate CIPA. Each option requires agreement from the Minister of Climate Change.
10. We have presented these options in the Table below and included considerations from the perspective of ^[36] as well as from the perspective of supporting your Budget communications strategy. You also have the option to not respond to this new information. However, we do not think this is the best option, based on the considerations mentioned above.

Option	Considerations
<p>1. [Recommended] You and the Minister of Climate Change jointly determine when and to whom the completed CIPA will be provided, on advice from officials.</p>	<p>We would suggest providing the CIPA to Cabinet Ministers ahead of the release of Budget 2024. This would provide the most transparency, since it corrects information in the Budget Cabinet paper and helps to ensure that Cabinet is fully informed about the climate implications of its decisions. This approach:</p> <ul style="list-style-type: none"> • would also allow for Cabinet to possibly revisit any decisions at a future date should they be concerned about the estimated climate impacts; and • supports your Budget communications strategy, since it is feasible that there could be questions around whether Ministers were informed of the climate impacts of decisions, as was the case at Mini Budget.

<p>2. Under exceptional circumstances, the Minister of Climate change may consider proposals asking for an exemption from the CIPA requirement, which can be granted on a case-by-case basis</p>	<p>There may be some justification for this option since you were provided with incorrect advice, the data provided by agencies on climate impacts makes it difficult to provide a robust assessment for the package, and in a number of cases the climate impacts of policies should be considered when separate policy decisions are taken to Cabinet ^[33]</p> <p>However, there is little indication available of what the process or grounds might be for seeking an exemption under “exceptional circumstances.” We also informally consulted the CIPA team at the Ministry for Environment and have not been able to identify a precedent in the time available. The directions for seeking an exemption from Impact Analysis Requirements in CO (20) 2 could provide some direction in the absence of similar instructions in CO (20) 3. In our view, however, there is greater uncertainty associated with this option and less transparency.</p>
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11. We recommend that you discuss these options with the Minister of Climate Change and seek his agreement to provide the CIPA to Cabinet Ministers as soon as possible and ahead of the release of Budget 2024. You have options with respect to how you provide Cabinet Ministers with this information. You may wish to bring the CIPA to the next suitable Cabinet meeting as either an oral item or through a paper. Each option can be considered an effective mechanism through which to share the CIPA. However, we consider an oral item to be preferred for reasons discussed below in paragraphs 12 and 13.
12. We made inquiries with the Cabinet Office and they have advised that a paper is required when seeking a decision from Ministers, while an oral item is appropriate in the case of providing information or updating Ministers. We also consider that an oral item is the most efficient way to provide the information, as a paper would require your review and there would likely not be time for wider Ministerial consultation under the timeframes needed to provide it ahead of Budget Day. On this basis, we consider that taking an oral item to Cabinet is preferred. Treasury officials, including the legal team, agree that in taking an oral item to Cabinet at the next suitable meeting and tabling the CIPA, you would be acting in accordance with correcting the earlier non-compliance with CO (20) 3.
13. Should you agree with our recommended approach, your office has indicated that they can support you to bring an oral item to the 27 May meeting of Cabinet and we have appended talking points to support this (Appendix 1). If you would instead prefer to take a paper to Cabinet, please indicate so, and the Treasury will draft a very short paper to be lodged next week.

Implementation and next steps

14. If you agree with our recommendations, your office will lodge a request for an oral item with the Cabinet Office for the Cabinet meeting on the 27 May. Your office will also share the CIPA with the Minister of Climate Change and seek his agreement with this approach.

Recommended actions

We recommend that you:

- a **agree** to provide the Climate Implications of Policy Assessment (CIPA) to Cabinet Ministers at your earliest convenience and before Budget Day, either by:
- i. taking an oral item to Cabinet [**recommended**]; or
Agree/disagree.
 - ii. directing Treasury to prepare a short paper for you to take to Cabinet;
Agree/disagree.
- b **note** that each option requires agreement from the Minister of Climate Change under Cabinet Office Circular CO (20) 3;
- c **refer** the attached CIPA to the Minister of Climate Change and seek his agreement to your preferred approach;
Refer/not referred.
- d **note** the attached talking points to support your delivery of an oral item to Cabinet, should you agree with our recommended approach.

Alex Hamilton
Team Leader

Hon Nicola Willis
Minister of Finance

_____/_____/_____

Appendix 1: Talking Points to support an oral item to Cabinet on the Climate Implications of Policy Assessment for Budget 2024

- This CIPA was completed by the Climate Change Interdepartmental Executive Board (CCIEB) Secretariat, in collaboration with The Treasury.
 - The CCIEB Secretariat is the group that maintains analysis on New Zealand's progress towards achieving emissions budgets and actions in emissions reductions plans.
- The CIPA considers the climate impacts of a subset of proposals from the Budget 2024 package, where officials considered there could be more material climate implications.
- While lack of quantified emissions information provided by agencies limits a robust or conclusive assessment about the cumulative climate impacts for the Budget package, officials do not anticipate the subset of proposals considered are likely to pose a significant risk to achieving our first emissions budget (EB1, 2022-2025).
 - However, some proposals will increase the existing uncertainty associated with meeting the second (EB2) and third (EB3) emissions budgets (2026-30 and 2031-35 respectively) and New Zealand's first Nationally Determined Contribution (NDC1) under the Paris Agreement for the period 2021-2030.
 - Some of the savings decisions also impact actions in the first (and current) Emissions Reduction Plan (ERP1). These are not expected to impact EB1.
- Going through the process to develop the second Emissions Reduction Plan (ERP2) later this year will provide an opportunity for us to address any emissions impacts resulting from these decisions and consider actions that might be needed to support our achievement of future climate targets.