



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Minister	Hon Carmel Sepuloni	Portfolio	Social Development and Employment
Title of Cabinet paper	Emissions Reduction Plan: Equitable Transition	Date to be published	18 August 2022

List of documents that have been proactively released

Date	Title	Author
March 2022	Emissions Reduction Plan: Equitable Transition	Offices of the Minister for Economic and Regional Development, and the Minister for Social Development and Employment
9 March 2022	Emissions Reduction Plan: Equitable Transition SWC-22-MIN-0028 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government.

Office of the Minister for Social Development and Employment

Office of the Minister for Economic and Regional Development

Cabinet Social Wellbeing Committee

Emissions Reduction Plan: Equitable Transition

Proposal

1. This paper seeks decisions regarding the content and measures to be included in the Equitable Transition chapter of the emissions reduction plan.
2. This includes the Government's response to recommendation 28 from the Climate Change Commission (the Commission) that Government develop an Equitable Transitions Strategy that aims to deliver a well-signalled and inclusive transition, so it maximises opportunities, and minimises disruption and inequities.
3. These decisions are part of a suite of proposals for New Zealand's first emissions reduction plan which Cabinet has agreed will be published no later than 31 May 2022.

Relation to government priorities

4. The Government declared a climate change emergency on 2 December 2020. Cabinet agreed that climate change "demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge" [CBC-20-MIN-0097 refers].
5. Enabling a just transition to a low-emissions, climate resilient future is a Government priority. Cabinet declared its intention to "put the climate at the centre of government decision-making" [CBC-20-MIN-0097 refers].
6. The proposals in this paper relate to the Cooperation Agreement between the Labour and Green Parties. Achieving the purpose and goals of the 2019 zero carbon amendments to the Climate Change Response Act 2002 (CCRA) is an agreed area of cooperation.

Executive Summary

7. Meeting emissions budgets and targets will require significant and far-reaching changes across society and the economy that will increase over time.
8. A focus on mitigating and managing negative impacts while still meeting our emission targets and goals and seizing the opportunities that the transition brings will support community wellbeing and help to strengthen social license for the transition.
9. Ensuring an equitable transition is a foundational objective that cuts across the emissions reduction plan as a whole and sector and cross-cutting policy packages have been designed to reflect this.
10. The emissions reduction plan will include a dedicated chapter that sets out the Government's approach to delivering an equitable transition. We are seeking Cabinet agreement to:

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- 10.1 develop an Equitable Transitions Strategy, in line with recommendation 28 from the Commission;
 - 10.2 the overarching timeframes, governance arrangements and objectives for the Equitable Transitions Strategy; and
 - 10.3 a wider package of existing and new measures for inclusion in the emissions reduction plan.
11. While some of these measures are already underway, others are yet to be funded.
 12. Managing the impacts of the transition will require a flexible and adaptive approach and new policies and measures are likely to be needed over time as new and unexpected challenges and opportunities emerge. However, progressing the package of actions set out in this paper provides the foundations needed to deliver an equitable transition and to signal the Government's commitment to a just transition.

Background

13. This paper is one of a set of papers containing proposals for inclusion in the emissions reduction plan that the Government is required to publish under the CCRA in conjunction with Budget 2022 and no later than 31 May 2022.
14. Decisions on the emissions reduction plan will determine how New Zealand progresses the transformational changes needed in key sectors, adopts new patterns of economic activity and transitions to a climate resilient and low-emissions economy that is fair, inclusive and equitable.
15. While the impacts of the transition are difficult to predict in advance, some groups in society are likely to be more adversely affected than others, including iwi/Māori, low-income households, workers in certain industries and occupations, and population groups facing existing disadvantage such as disabled people. The impacts of the transition will also vary across regions and between rural and urban communities.
16. The CCRA requires that the emissions reduction plan include a strategy to mitigate the impacts of the transition on employees and employers, regions, iwi/Māori, and wider communities, including the funding for any mitigation action.
17. The Equitable Transition chapter in the emissions reduction plan will address this requirement by setting out the Government's overall objectives for an equitable transition and articulating an overarching approach to managing impacts and seizing opportunities.
18. The chapter will sit alongside a separate chapter that addresses the need for a Te Tiriti and Māori-led approach to the transition. It will also reference specific initiatives to manage transition impacts that are being developed as part of sector policy packages (e.g. in transport).
19. This approach aligns with Cabinet decisions in April 2021 (2021-C-07728) for the emissions reduction plan to:
 - 19.1 include a dedicated chapter addressing an equitable transition; and

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- 19.2 for sector-specific chapters to identify the distributional impacts of abatement policies and introduce measures to manage those impacts.
20. On 31 May 2021, the Commission provided the Government with its final advice on emissions budgets and the recommended policy direction of the emissions reduction plan.
21. The Government must (in line with the Climate Change Response Act 2002) consider the Commission's advice when developing the emissions reduction plan. The Commission's key recommendation pertaining to an equitable transition is recommendation 28 (shown in full below).

Recommendation 28: A fair, inclusive and equitable transition

We recommend that, in the first emissions reduction plan, the Government commit to developing an Equitable Transitions Strategy that aims to deliver a well-signalled and inclusive transition, so it maximises opportunities, and minimises disruption and inequities.

Objectives of the strategy should include:

- 1 Acting in partnership with Iwi/Māori, giving effect to the principles of Te Tiriti o Waitangi/ The Treaty of Waitangi, aligning with the He Ara Waiora framework to align with Iwi/Māori perspectives on wellbeing, and co-designing climate policies and strategies with Iwi/Māori.
- 2 Undertaking proactive transition planning that aligns with tikanga values and is codesigned with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, and community groups with particular regard to those most disadvantaged.
- 3 Strengthening efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with skills needed for a low emissions future. This should include putting in place strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori.
- 4 Supporting workers to transition from high-emissions sectors to low-emissions sectors, including redeploying and upskilling workers. This will need to be developed in conjunction with workers, unions, education providers and businesses.
- 5 Factoring distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities. This will need to include a plan for improving the evidence base and tools for quantitatively assessing the distributional impacts and benefits in line with Treasury's Living Standards Framework and He Ara Waiora.
- 6 Clarifying how the Government is going to prioritise and fund the work laid out under the Strategy.

22. Work to develop the Equitable Transition chapter is well advanced. Cabinet agreement on the Government's response to recommendation 28 and other initiatives for inclusion in the emissions reduction plan will enable the finalisation of the chapter for Cabinet approval as part of the full emissions reduction plan in April 2022.

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The Equitable Transition chapter draws on substantial engagement

23. The proposed measures to be included in the Equitable Transition chapter draws on the following consultation and engagement.
 - 23.1 Engagement and submission processes underpinning the Commission’s draft and final advice.
 - 23.2 A series of targeted engagement meetings held from late 2020 through 2021 that officials from MBIE and MSD held with organisations, advocacy groups and businesses likely to be particularly impacted by the transition.
 - 23.3 A series of workshops with the Council of Trade Unions and Business NZ to gather views and test ideas.
 - 23.4 Webinars, presentations and targeted engagement meetings with iwi and Māori interest groups.
 - 23.5 A series of public consultation events in October to November 2021 following the release of the emissions reduction plan discussion document in October.
24. Engagement will need to continue throughout the transition to ensure that we remain attuned to the challenges and opportunities that emerge and to retain community buy-in for the transition.
25. Work on the Equitable Transition chapter is also drawing on the views and suggestions raised through submissions received in response to the emissions reduction plan public consultation document in October and November 2021. Key messages from those submissions include:
 - 25.1 the importance of managing the impacts of the transition both as a means to build wellbeing and to maintain public support and buy-in for the transition;
 - 25.2 that efforts to manage the impact of the transition should focus on those groups in society that already experience disadvantage;
 - 25.3 the urgency of the need to reduce emissions and noted that while important, equity considerations should not be used as a justification to delay action or avoid necessary change;
 - 25.4 a range of views about the types of interventions needed to support low-income households to manage the impacts of the transition (the align broadly with issues under consideration as part of the emissions reduction plan’s sector specific chapters – e.g., initiatives to improve access to affordable and reliable public transport); and
 - 25.5 the need to support workers to transition into new forms of employment. Many submitters emphasised the important role for the education and training system in supporting workers to up-skill or re-train as needed. Submitters also noted a preference for measures to avoid worker displacement, including measures to support continued business viability, in addition to income protections to support displaced workers.

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26. Some submitters, particularly the Council of Trade Unions and other unions expressed a preference that the emissions reduction plan and associated work programmes refer to a “Just Transition” rather than “equitable”.
27. The “equitable transition” language was adopted by the Commission and we understand that this was a deliberate choice aimed at fostering wide support for the transition. The terminology also avoids confusion with Just Transitions Partnerships which are a distinct initiative. Accordingly, prior to the release of the emissions reduction plan public consultation document, Cabinet agreed to use the term “equitable transition”.
28. We intend to retain the “equitable transition” language for the emissions reduction plan. However, the Equitable Transition chapter in the emissions reduction plan will include content to show how the government’s approach aligns with the concept of a Just Transition.

We are seeking Cabinet’s support for the content and measures included in the Equitable Transition chapter of the emissions reduction plan

29. The overall approach to the Equitable Transition chapter is underpinned by four pillars for managing the impacts of the transition.
 - 29.1 Ensure the transition is affordable and inclusive, particularly for those least able to respond.
 - 29.2 Seize the opportunities of the transition including new business, job and other economic and social opportunities.
 - 29.3 Support proactive transition planning with industries, workers, iwi, Māori, regions and communities.
 - 29.4 Build the evidence base and tools to monitor and assess distributional impacts enabling timely and well evidenced policy responses.
30. While the four pillars have been tested through engagement to date, refinements may be required to ensure consistency as the full emissions reduction plan is finalised.
31. The four pillars are designed to set an overarching strategy for managing the impacts of the transition. They align closely with the objectives put forward by the Commission for inclusion in an Equitable Transitions Strategy, but are framed in a way also reflects the opportunities that the transition will bring.
 - 31.1 Pillar one incorporates the importance of factoring distributional impacts for Māori and other population groups into climate policies and the importance of supporting workers to transition (recommendations 28.5 and 28.4).
 - 31.2 Pillar two incorporates the importance of the education and skills system in setting New Zealanders up with the skills needed for a low emissions future (recommendation 28.3), as well as acknowledging that the transition will bring new business and job opportunities.
 - 31.3 Pillar three incorporates the Commission’s advice on the importance of proactive transition planning (recommendation 28.2).

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- 31.4 Pillar four incorporates the need to improve the evidence base and tools for assessing the distributional impacts (28.5).
- 31.5 The importance of acting in partnership with Iwi/Māori and giving effect to the principles of Te Tiriti o Waitangi/ The Treaty of Waitangi (recommendation 28.1) can be given effect across all four pillars.
32. The chapter will also set out initiatives to support firms, workers, households, iwi/Māori, and rural and urban communities to transition. Many initiatives align with the advice of the Commission including the proposed areas of focus included in recommendation 28.
33. Initiatives will include:
- 33.1 Policies to manage transition impacts that are developed as part of the sector-specific chapters in the emissions reduction plan (for example policies within the transport chapter that aim to ensure that the transport system is accessible and affordable).
- 33.2 The role that broader government policy settings such as the welfare and skills systems will play in helping to manage the impacts of the transition.
- 33.3 New initiatives that are being developed to support an equitable transition.
34. Because the impacts of the transition to a low emissions economy will develop over time the Government will need flexibility to respond to impacts as they emerge. As an enduring multi-year budgetary mechanism, the Climate Emergency Response Fund (CERF) enables ongoing funding to support the Government's climate objectives, including initiatives to manage the impacts of the transition.
35. While equity and fairness must be a key consideration for the transition, this objective will also need to be balanced against other considerations including the pace and scale of emissions reduction required to meet emissions budgets and alleviate the worst potential effects of climate change.

An Equitable Transitions Strategy

36. The Commission's central recommendation for managing the impacts of the transition is that the Government develop an Equitable Transitions Strategy that aims to deliver a well-signalled and inclusive transition, so it maximises opportunities, and minimises disruption and inequities (Recommendation 28).
37. While a range of measures are already in place to support an equitable transition, we believe a forward work programme to develop a strategy and actions to manage impacts and seize opportunities is an important way for government to work with affected groups to develop tangible actions to address specific concerns and issues.
38. The Commission's recommendation is an opportunity to build on the existing Just Transition Partnerships work programme which focuses on supporting the communities to deliver a just transition for workers and the wider region. Just Transition Partnerships are already established in Taranaki and Southland, and the approach can be applied with varying levels of support across other regions facing different transition challenges. A broader work programme that looks across challenges at a national level can align with

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and build on the lessons learned through the Just Transition Partnerships work in Taranaki and Southland.

39. Acting on the Commission's recommendation will lay the foundations for the transition and set Aotearoa-New Zealand up for subsequent emissions budgets and plans, including meeting the Crown's obligations as Treaty partner.
40. We agree with the Commission's advice that the Equitable Transitions Strategy offers a mechanism to work alongside people to identify and develop policies to maximise the benefits and to reduce any negative impacts of the transition. Funding is not currently in place to develop the Equitable Transitions Strategy.
41. We are seeking agreement to:
 - 41.1 develop an Equitable Transitions Strategy and include this as one key initiative in the emissions reduction plan;
 - 41.2 the timeframes for delivery of the work;
 - 41.3 the broad approach to governance and participation of affected groups in the development of the strategy; and
 - 41.4 key objectives for inclusion in the strategy's Terms of Reference.

Strategy timeframes

42. The Commission recommends that the Government prepare a draft strategy for consultation by June 2023 and publishes a final strategy by June 2024. In order to progress this recommendation in keeping with these timeframes, work on the strategy would need to commence in 2022.
43. We are seeking agreement from Cabinet regarding two options for how the work can be sequenced.
 - 43.1 **Option One:** Agree to the Commission's recommendation and commence work on the Equitable Transitions Strategy in 2022.
 - 43.1.1 Work on the strategy would occur in parallel with the Just Transition Partnerships work programme.
 - 43.1.2 It would also align to the Commission's recommendation to prepare a draft strategy for consultation by June 2023 and publish a final strategy by June 2024.
 - 43.1.3 It would also provide sufficient flexibility to enable the identification of priority issues necessitating more urgent intervention.
 - 43.2 **Option Two:** Agree to the Commission's recommendation but disagree to the proposed timeframe and instead to take a phased approach to the work that better reflects the Just Transition Partnerships work programme.
 - 43.2.1 The initial focus of the Equitable Transitions Strategy work programme would be to better identify the likely distributional

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impacts of climate policies and to ensure that equity considerations are appropriately factored into existing policy settings.

- 43.2.2 The more resource-intensive process of developing solutions to challenges in collaboration with iwi/Māori and other affected groups would commence in 2023.
 - 43.2.3 Under this option the strategy would not be completed to the timeframes recommended by the Commission, and most likely not until the end of 2024.
- 44. The key advantage of Option One, which is our preferred approach, is that it signals urgency to affected communities and allows the work to progress in keeping with the Commission's timeframes.
 - 45. Alternatively, Option Two will sequence the work following the current Just Transition Partnerships work programme. This would mean that the short-term priority would be to complete the Just Transitions Partnership work in Southland and Taranaki. Drawing on lessons and experience from these processes, work would then commence on a broader Equitable Transitions Strategy in mid-2023. This would reduce the risk of stretching the resources of officials and affected stakeholders across two parallel processes.
 - 46. If Cabinet agrees to Option One, we will include the Equitable Transitions Strategy as a key initiative in the emissions reduction plan. This will include setting out the timeframes, objectives and approach to delivery drawing on the Commission's advice.
 - 47. If Cabinet agrees to Option Two, officials will prepare messages for inclusion in the emissions reduction plan that articulates the forward work programme for Just Transition Partnerships and how this will be leveraged to produce an Equitable Transitions Strategy with work commencing in 2023.
 - 48. Officials will also progress work to further develop the evidence base on the impacts of the transition and to identify key issues and policy options that could be addressed through the strategy work programme.

Governance and approach to participation in the strategy design

- 49. A key message from public consultation was that for an Equitable Transitions Strategy to be effective, it must enable meaningful engagement across a broad range of interests. Submitters noted that this would require a commitment to ensure that a diversity of opinions were heard including from Māori, unions, workers, business, women, education providers, rural communities, young people, older people, local government, disabled people, Pasifika and representatives for groups such as low-income and beneficiary households.
- 50. In addition, submitters from Local Government expressed support for an Equitable Transitions Strategy and noted that cross-government engagement and collaboration from the outset will be crucial for a successful and effective strategy. This aligns with the advice from the Commission which noted that coordination and alignment of efforts between central and local government will be critical to achieve New Zealand's climate goals.

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51. The Commission's advice highlighted the importance that this work is designed with iwi/Māori and other affected groups to help ensure the transition is accepted by all parts of society and is enduring. The Commission stated for this engagement to work, there will need to be clear leadership and that the central government may be best placed to take the lead in making key strategic decisions for New Zealand as a whole, in partnership with Iwi/Māori. Where appropriate the Equitable Transitions Strategy will utilise and align with the proposed approach in CAB-98 as well as ensuring a Te Tiriti o Waitangi / Treaty of Waitangi and te ao Māori perspective informs the development of the strategy.
52. There is a trade-off between the extent to which decision making is shared and the pace of delivery. This was raised during public consultation with submitters supporting meaningful collaboration and engagement while also noting the importance of being able to identify and respond to priority issues with urgency, Confidential advice to Government [REDACTED]
53. To balance these priorities, we seek Cabinet agreement to develop the strategy using high engagement and in collaboration with affected groups, yet with governance and decision making remaining with Government. We also recommend that the process be sufficiently flexible to provide scope to identify and develop prioritised outputs in advance of the key dates recommended by the Commission.
54. This means that Ministers will retain oversight and responsibility for delivering the strategy, however officials will ensure that stakeholders are supported and able to contribute to and influence the development of the final strategy. Funding has been sought as part of the CERF process to specifically support stakeholders to engage and collaborate meaningfully in the development of the Equitable Transitions Strategy. Where appropriate, collaboration on the Equitable Transitions Strategy will also draw on existing Government partnerships, including, for example, the Tripartite Future of Work Forum.
55. The benefits of this approach are that the process is more streamlined, timelier and outcomes are likely to be better aligned with existing Government policy direction and priorities.
56. We recommend signalling in the emissions reduction plan that the strategy will be developed in partnership with iwi/Māori and in collaboration with a range of other stakeholders including (but not limited to) local government, businesses, unions, workers, beneficiary and low-income households, the disabled community and a range of other interest groups including young people, older people, rural communities and Pasifika people.

Enabling Partnership with Māori

57. The Commission's advice emphasises the importance of Te Tiriti o Waitangi / Treaty of Waitangi when establishing an emissions reduction plan. This was strongly echoed in the public submissions. While Māori have distinct and Tiriti-based equity considerations that warrant specific approaches [CAB-98 refers], it is key that the Government's commitment to Te Tiriti and te ao Māori underpins the wider approach to an Equitable Transitions Strategy.
58. Commitments to Te Tiriti and te ao Māori are already present in the proposed objectives for the Equitable Transitions Strategy. For instance, the first objective references

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planning that is aligned with tikanga and is designed with iwi and Māori, which affirms the partnership between Māori and the Crown.

59. In addition, the delivery of the Equitable Transitions Strategy will build on the initiatives set out in CAB-98 [The Role of Māori in the Transition]. This includes, where appropriate, working with the proposed Māori Ministerial advisory committee to ensure alignment with the priorities for an equitable transition for Māori. Development of the Equitable Transitions Strategy will also draw on current Te Arawhiti guidelines for meaningful engagement with Māori.
60. Officials will continue to work alongside the Ministry for the Environment as the agency responsible for an equitable transition for Māori. This will ensure both approaches are aligned and seeking mutually beneficial outcomes, as well as provide an opportunity for Māori experiences and perspectives to underpin the emissions reduction plan more broadly.

Objectives to address through the strategy

61. We recommend that the emissions reduction plan include a set of objectives that the Equitable Transitions Strategy will address. However, in keeping with a high engagement and collaboration model, we recommend flexibility to modify these objectives through a rapid scoping exercise once the work programme has commenced.
62. Through the public consultation process, we requested views about the priorities that should be addressed through an Equitable Transitions Strategy. Submitters strongly endorsed the objectives identified by the Climate Change Commission.
63. The Commission recommended that the Equitable Transitions Strategy give effect to the principles of Te Tiriti o Waitangi and align with Iwi/Māori perspectives on wellbeing. We support this as an overarching objective for the strategy that should be incorporated across each of the strategy's objectives.
64. In addition, we recommend that the emissions reduction plan set out the following objectives from the Climate Change Commission as priorities for the strategy.
 - 64.1 Undertaking proactive transition planning that aligns with tikanga values and is developed in collaboration with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, and community groups including rural communities, with particular regard to those most affected by the transition (corresponding to the Commission recommendation 28.2)
 - 64.2 Strengthening efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with the skills needed for a low emissions future, including strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori (recommendation 28.3)
 - 64.3 Supporting workers to transition from high-emissions sectors to low-emissions sectors, including redeploying, reskilling and upskilling workers, and identifying preventative interventions to avoid job loss and displacement, in conjunction with workers, unions, education providers and businesses (recommendation 28.4).

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- 64.4 Factoring distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities (recommendation 28.5). Drawing on feedback from submitters we propose that this objective should include work to improve real-time monitoring of impacts and the development and provision of more detailed modelling and analysis.
- 65. Submitters presented additional priorities that they would like to see addressed through this process. Based on this feedback we recommend that the emissions reduction plan also signal that the scope of the Equitable Transitions Strategy include objectives to:
 - 65.1 Identify actions to reduce the exposure of households and communities to negative transition impacts and seize opportunities to address existing inequity through climate policy co-benefits – for example measures to improve fairness, accessibility and equity in the transport sector.
 - 65.2 Identify measures to support continued business viability while also reducing emissions – including for small businesses.
- 66. These objectives traverse a broad range of portfolios and will require active input from across numerous government agencies to prepare the Equitable Transitions Strategy and any supporting sectoral action plans needed to implement it.
- 67. The Commission also recommends that the strategy should clarify how the Government is going to prioritise and fund the work laid out under the strategy. Actions or initiatives developed through the strategy process would need to be considered alongside other Government priorities in future CERF budget rounds.

Other initiatives to include in the Equitable Transition chapter

Confidential advice to Government

- 68. Confidential advice to Government
- 69. Confidential advice to Government
- 69.1 Confidential advice to Government
- 69.2 Confidential advice to Government
- 69.3 Confidential advice to Government
- 70. Confidential advice to Government

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Confidential advice to Government

71. Confidential advice to Government

Māori business, employment and regional development actions for inclusion in the Equitable Transition chapter

72. The Equitable Transition chapter of the emissions reduction plan will draw on a wide range of policies and measures that are being developed through parallel processes to the emissions reduction plan, described below.

72.1 Confidential advice to Government

72.2 The Government with the Council of Trade Unions and Business NZ is jointly designing a New Zealand Income Insurance scheme. This will strengthen support for workers who lose their job as the economy transitions, giving them financial stability to find the right job for their skills or to retrain.

72.3 Existing work programmes including the Future of Work Tripartite Forum, Just Transition Partnerships work in Taranaki, Southland and other regions, Industry Transformation Plans and the Regional Strategic Partnership Fund to support regions to achieve transition-aligned outcomes.

72.4 Utilising the Regional Public Service Commissioners in order to engage with local communities and gain regional input. This could include engaging with Regional Leadership Groups to understand regional transition plans and address rural issues.

72.5 The renewed welfare overhaul work programme, which includes areas of major transformational change for the welfare system. The Government's vision is a welfare system that ensures people have an adequate income and standard of living, are treated with, and can live in, dignity and are able to participate meaningfully in their communities.

73. Additionally, the Ministries of Social Development, Education and Business Innovation and Employment are currently reviewing Active Labour Market Policies (ALMPs) across government, and providing advice to the Employment, Education and Training (EET) Ministerial Group. The Council of Trade Unions and Business New Zealand are contributing to this work, as is the Pou Tāngata Iwi Leaders Group. Ensuring ALMPs are both effective and fit for purpose to support workers through economic transitions, including the transition to a low emissions economy, is a key objective of this review.

74. A stocktake of ALMPs and gaps analysis was undertaken during 2021, along with development of draft principles to guide investment in ALMPs. Further analysis is being undertaken in the first half of 2022 on the support needed by economically displaced

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workers (and those at risk of displacement), and by people with health conditions and disabilities. This work will inform further investment decisions in ALMPs aimed at supporting workers displaced, or at risk of displacement, through the transition to lower emissions.

The role of education in supporting an equitable transition

75. As the economy transitions, education and training will need to be accessible and flexible enough to deliver the skills that learners will need to succeed in a future low-emissions economy and to support those who need to up-skill or re-train.
76. An enabling framework that allows education and training provision to meet demand for new skills into the future will be vital. The Equitable Transition chapter will summarise how the education system sets New Zealanders up with the skills needed for a low emissions future.
77. In particular, the chapter will refer to Government's Reform of Vocational Education (RoVE), with its purpose of creating a system that reflects industry and regional skill needs and addresses employer and learner needs. Important components of the new system from a climate change are described below.
 - 77.1 Industry-led Workforce Development Councils which will give industry greater leadership and influence across vocational education. Workforce Development Councils are required to support responses to current and future skills needs by identifying the challenges and opportunities that may arise in the transition to a low-emission and climate resilient New Zealand, contributing to an education system that gives effect to Te Tiriti o Waitangi / Treaty of Waitangi, and developing industry standards and credentials that can deliver the required skills.
 - 77.2 Regional Skills Leadership Groups to provide a joined-up approach to regional labour market planning to ensure workforce, education and immigration systems are working together to meet skills and labour market needs. As emission-intensive industries begin to transition and adopt new technologies, Regional Skills Leadership Groups will have an important role in ensuring that information about changing skill requirements are disseminated across the tertiary education system.
 - 77.3 Te Pūkenga: The New Zealand Institute of Skills and Technology to deliver skills in workplaces and to meet the needs of regions, using skills standards and working collaboratively with Regional Skills Leadership Groups.
78. The chapter will also acknowledge the importance of initiatives in the Government's education work programme to strengthen equity and excellence in the early learning and schooling system and support equitable pathways into tertiary education and the workforce. Relevant aspects of this work programme include, for example, changes to National Certificate in Educational Achievement and the refresh of the national curriculum for schooling. These will incorporate learning important for understanding and responding to climate change, including mana ōrite mō te mātauranga Māori.
79. Cabinet has agreed [CAB 21 MIN 0395 and SWC 21 MIN 0142 refers] to the development of a work programme by June 2022 to grow Māori Medium Education in early learning and schooling and Kaupapa Māori pathways in tertiary education (MME).

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This work aligns with the Commission’s advice on the importance of education pathways by Māori, for Māori.

- 80. As part of this work, the intention is to introduce MME legislation in early 2023 to provide a regulatory framework for growing MME as part of our education system. MME plays an important role in supporting the Government’s education, te reo and wellbeing objectives. Growing MME supports *Ka Hikitia* and *Tau Mai Te Reo* as part of our overall Education Vision and Objectives. It will support the *Maihi Karauna* and the *Maihi Māori* and the status of te reo as an official language. It also supports several strands of the *Child and Youth Wellbeing Strategy*.

Actions to better monitor and understand transition related impacts and challenges

- 81. Because the impacts of the transition will be difficult to predict in advance, it is important that Government closely monitors impacts over time and can respond flexibly where unexpected impacts emerge. As noted by the Commission, distributional impacts should be effectively factored into climate strategies and policies so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities.

82. Confidential advice to Government
[Redacted]

82.1 Confidential advice to Government
[Redacted]

82.2 Confidential advice to Government
[Redacted]

82.3 Confidential advice to Government
[Redacted]

Financial Implications

- 83. Some of the actions outlined in this paper are contingent on funding being secured through Budget 2022 and future Budget processes. In particular:

83.1 Developing an Equitable Transitions Strategy in line with the Commission’s advice will require dedicated staffing and resourcing. We estimate that the cost will be \$14.52m over three years. This will cover agency staffing costs, provide resourcing to enable meaningful participation across a wide range of affected groups and to advance foundational research on the impacts of climate change.

83.2 Confidential advice to Government
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Legislative Implications

84. There are no legislative implications to this proposal, but the work may lead to recommendations with legislative impacts.

Regulatory Impact Statement

85. A Regulatory Impact Assessment (RIA) has not been undertaken for this paper because the proposals do not have immediate legislative or regulatory implications.
86. An overarching Regulatory Impact Statement will be prepared by the Ministry for the Environment (with input from other agencies) to support the overall emissions reduction plan.

Climate Implications of Policy Assessment

87. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this paper as the initiatives either do not have a direct emissions impact, do not meet the emissions abatement threshold to require a CIPA, or do not have enough certainty to be accurately quantified.
88. While the initiatives in this paper do not require CIPA, some of the initiatives will play an important role in enabling potentially significant future emissions reductions. For example:

88.1 Confidential advice to Government

Population Implications

89. Challenges and opportunities will arise from the transition to a low carbon economy, and the proposals in this paper seek to proactively respond to these.
90. The Equitable Transitions Strategy will help ensure emissions reduction policies consider distributional impacts, including whether particular groups (including lower-income households and whanau/families) can be supported or empowered to realise the opportunities presented by the transition.
91. Māori will experience both challenges and opportunities through the transition. Because of their connection to the land as tangata whenua and the obligations and guarantees of Te Tiriti it is critical to consider the transition and its impacts from a Māori perspective. It is expected that the Equitable Transitions Strategy will be developed in partnership with Treaty partners and other Māori stakeholders.
92. The Commission's modelling suggests Pacific peoples could experience greater job change as the economy transitions. Overall, there are more job gains than job losses for Pacific peoples but government support will be required to transition and reskill/ upskill workers so they can transition into emerging employment opportunities.
93. One-in-four New Zealanders self-identify as disabled (based on 2013 Disability Survey data). As a population group who already experience inequitable outcomes, disabled people are at risk of being disproportionately negatively impacted by emissions

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reductions policies. Disabled people will need to be involved in the development of the Equitable Transitions Strategy to ensure their views and experiences are incorporated and the Strategy is accessible and inclusive for all.

94. Changes to employment are inevitable as New Zealand shifts its economy to reduce emissions. The Commission's report identifies some workers will be more impacted by the transition than others. The development of an Equitable Transitions Strategy will allow government to engage and work closely with those most impacted to develop mitigation policies and supports which work for them.
95. The impacts of the transition will fall differently across different parts of the country and regions and rural communities will experience different challenges from larger urban centres. Regions that are more reliant on emissions-intensive forms of economic activity such as the coal, oil and gas industry, are likely to experience greater change over the course of the transition to a low emissions economy. Other regions could be affected by the closure of high-emitting industries. These issues, including impacts on rural communities will be addressed as part of the development of the Equitable Transitions Strategy.

Te Tiriti o Waitangi Implications

96. Māori have a significant stake in climate action and have Treaty-based rights and interests in natural resource use and management. It will be critical when implementing final proposals to uphold Te Tiriti o Waitangi principles. Māori and the Crown must work together in good faith to ensure our climate emergency response appropriately recognises Māori rangatiratanga and kaitiakitanga and the kawanatanga of the Crown.
97. The CCRA requires that the emissions reduction plan includes a strategy to recognise and mitigate the impacts on iwi and ensure that iwi and Māori have been adequately consulted on the plan. In February 2022, the Minister of Climate Change sought Cabinet agreement to a programme of work to support an equitable transition for Māori and to uphold Te Tiriti o Waitangi / Treaty of Waitangi throughout the course of the transition.
98. We have also undertaken engagement with some iwi/Māori business leaders as part of consultation for the emissions reduction plan to understand the needs of Māori. Progression of these workstreams will involve further engagement and continued consideration of Treaty implications.
99. The Equitable Transitions Strategy will work with Māori/Iwi to ensure an equitable transition for Māori and that Māori are not disproportionately impacted by transition.

Human Rights

100. The proposals in this paper are not in any way inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

101. The following government departments and agencies have been consulted on this Cabinet paper: Ministry for the Environment; the Treasury; Ministry of Education, Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Energy, Efficiency and Conservation Authority; Ministry of Transport; Waka Kotahi – New Zealand Transport

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Agency; Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development; Te Puni Kōkiri, Te Arawhiti, Kāinga Ora – Homes and Communities.

Communications

102. There will be no proactive communications of this proposal. Communications will be developed in line with any decisions made as part of the emissions reduction plan and Budget 2022.

Proactive Release

103. This paper will be proactively released post Budget 2022, with redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic and Regional Development and the Minister for Social Development and Employment recommend:

1. **Note** that under section 5ZG(3)(c) of the Climate Change Response Act 2002 (CCRA), the emissions reduction plan must include a strategy to mitigate the impacts of the transition on employees and employers, regions, iwi and Māori, and wider communities.

Emissions Reduction Plan: Equitable Transition chapter

2. **Note** that there will be a chapter in the emissions reduction plan that responds to section 5ZG(3)(c) and that the chapter will draw on policies and measures from across other parts of the emissions reduction plan.
3. **Agree** that, subject to minor presentation adjustments, four pillars will form the overarching framework for the chapter on managing impacts in the transition.
 - 3.1 Ensure the transition is affordable and inclusive, particularly for those least able to respond.
 - 3.2 Seize the opportunities of the transition including new business, job and other economic and social opportunities.
 - 3.3 Support proactive transition planning with industries, workers, iwi, Māori, regions and communities.
 - 3.4 Build the evidence base and tools to monitor and assess distributional impacts enabling timely and well evidenced policy responses.
4. **Note** that the CCRA requires funding for actions designed to mitigate the impact which reducing emissions will have on employees and employers, regions, iwi and Māori, and wider communities, and that the Climate Emergency Response Fund budget process allow for funding to be allocated over the life of the emissions reduction plan.

Equitable Transitions Strategy

5. **Agree** to accept the Climate Change Commission's (the Commission's) recommendation that the Government develop an Equitable Transitions Strategy (recommendation 28).

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6. **Note** that the strategy will use the terminology of an “equitable transition” and that this language will also be reflected in the emissions reduction plan chapter.
7. **Note** a preferred option for the sequencing and timing of the Equitable Transitions Strategy:
 - 7.1 Option 1 (which is our preferred option): to commence work on the Equitable Transitions Strategy in 2022, in parallel with the Just Transition Partnerships work programme, aligned to the Commission’s recommendation to prepare a draft strategy for consultation by June 2023 and publish a final strategy by June 2024, and with sufficient flexibility to enable the identification of priority issues necessitating more urgent intervention.

OR
 - 7.2 Option 2: to commence work on the Equitable Transitions Strategy in 2023, with a focus in the short-term on progressing the existing Just Transition Partnerships work programme and building the data and evidence base on distributional impacts.
8. **Agree** that the Equitable Transitions Strategy will be developed through high engagement and in collaboration with affected groups, with governance and decision making remaining with Government.
9. **Agree** that the Equitable Transitions Strategy will be designed with iwi/Māori and a range of stakeholders including local government, businesses, unions, workers, beneficiary and low-income households, the disability community and a range of other interests including young people, older people, rural communities and Pasifika people.
10. **Agree** that the Ministers of Economic and Regional Development and Social Development and Employment will report back to Cabinet with a proposed final terms of reference, governance arrangements and delivery approach for the Equitable Transitions Strategy which will take into account Cabinet’s preferred approach to timeframes, governance and stakeholder participation.
11. **Note** that an overarching objective for the Equitable Transitions Strategy is to give effect to the principles of Te Tiriti o Waitangi and align with Iwi/Māori perspectives on wellbeing.
12. **Agree** that the Equitable Transition chapter in the emissions reduction plan will include key objectives for the Equitable Transitions Strategy including:
 - 12.1 Undertaking proactive transition planning that aligns with tikanga values and is developed in collaboration with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, low-income households, and community groups including rural communities, with particular regard to those most affected by the transition.
 - 12.2 Strengthening efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with skills needed for a low emissions future, including strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori.

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- 12.3 Supporting workers to transition from high-emissions sectors to low-emissions sectors, including redeploying and upskilling workers, and identifying preventative interventions to avoid job loss and displacement, in conjunction with workers, unions, education providers and businesses.
- 12.4 Factoring distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities. This will include work to improve real-time monitoring of impacts and the development and provision of more detailed modelling and analysis of how the transition will affect different groups.
- 12.5 Identifying actions to reduce the exposure of households and communities to negative transition impacts and seize opportunities to address existing inequity through climate policy co-benefits – for example measures to improve fairness, accessibility and equity in the transport sector.
- 12.6 Identifying measures to support continued business viability while also reducing emissions – including for small businesses.
- 13. **Note** that groups involved in the development of the Equitable Transitions Strategy will likely have further aspirations for the content of the strategy, and officials will continue to work with stakeholders to ensure that the final Terms of Reference reflects these aspirations.
- 14. **Note** that Cabinet decisions regarding recommendations 5 to 13 will be reflected in the emissions reduction plan to provide information about which groups will be involved in the strategy, how the work will be delivered, and what the key objectives of the work will be.

Other measures for inclusion in the Equitable Transition chapter of the emissions reduction plan

- 15. Confidential advice to Government
[Redacted]
- 16. **Agree** that the Equitable Transition chapter in the emissions reduction plan will include a range of measures that are being developed through parallel processes to the emissions reduction plan, including:
 - 16.1 Confidential advice to Government
[Redacted]
 - 16.2 A New Zealand Income Insurance Scheme.
 - 16.3 Work to ensure Active Labour Market Programmes are both effective and fit-for-purpose to support workers through economic transitions, including climate change.
 - 16.4 Utilising the Regional Public Service Commissioners in order to engage with local communities, gain regional input and to understand rural issues.

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- 16.5 The renewed welfare overhaul work programme.
- 16.6 Work to ensure that the education system sets New Zealanders up with the skills needed for a low emissions future.
- 16.7 Just Transition Partnerships work in Taranaki, Southland and other regions, Industry Transformation Plans and the Regional Strategic Partnerships Fund.

16.8 Confidential advice to Government

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and
Employment

Hon Stuart Nash

Minister for Economic and Regional
Development

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