

1: Context on the Second Emissions Reduction Plan (ERP2)

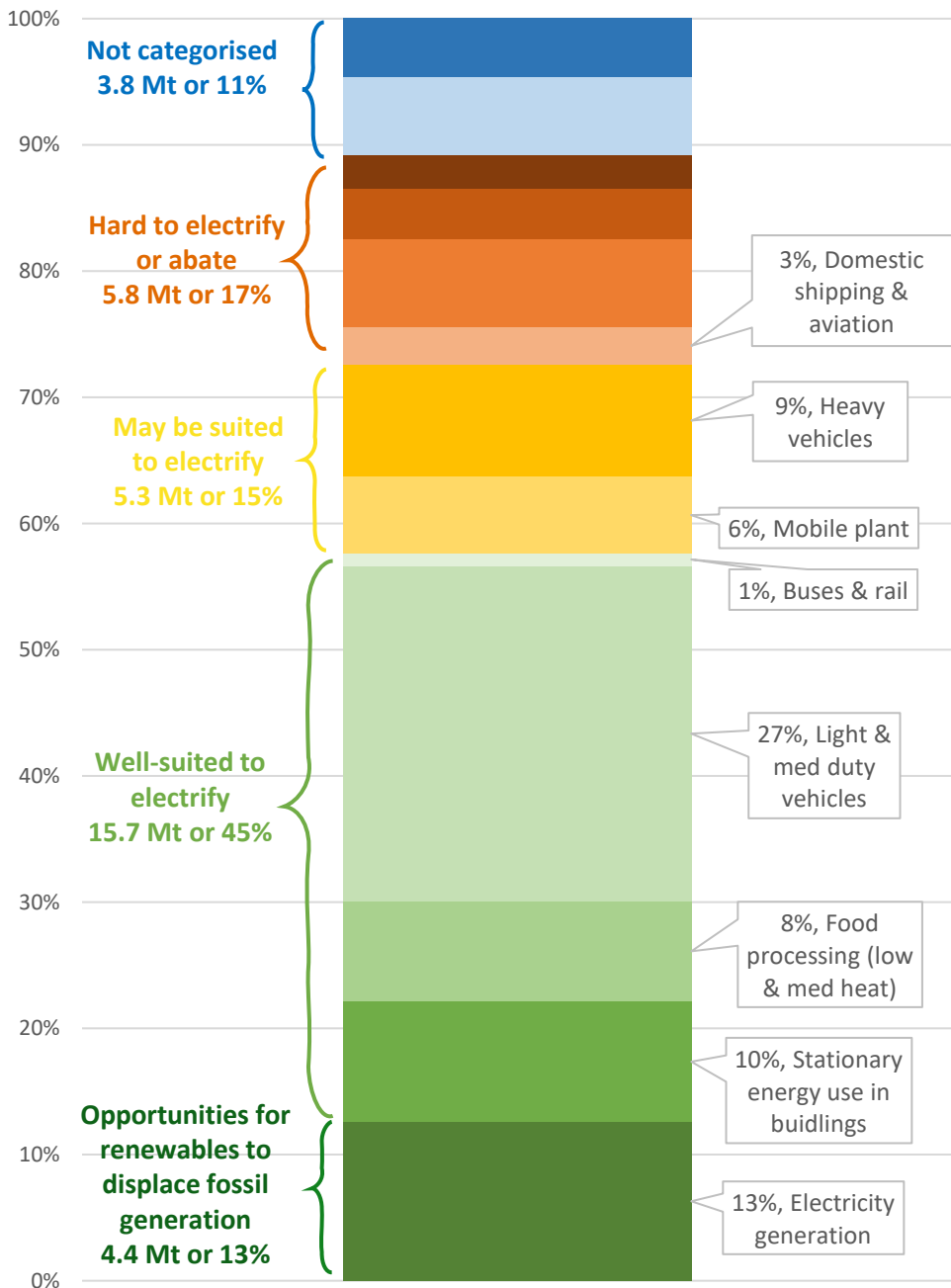
FOR DISCUSSION 13 FEBRUARY 2024



The Energy portfolio is critical for ERP2

The Climate Change Response Act 2002 (CCRA) requires the Minister of Climate Change to prepare and consult on an emissions reduction plan to meet the second emissions budget (2026-2030). The majority of emissions reductions in the second emissions budget are expected to come through reducing emissions from energy use.

Overview of energy emissions and abatement potential



New Zealand's energy, industrial process, and product emissions 2021

We will provide advice on the Climate Change Commission's recommendations

The CCRA requires the Commission to provide advice on the direction of policy for ERP2, and for the Government to consider the advice as you make decisions on ERP2.

The Commission's advice on ERP2 includes recommendations specific to the energy portfolio:

- **Decarbonise process heat** and opportunities to reduce emissions across **other industrial sectors**
- Ensure **electricity networks** can support growth and variability of demand and supply. These outcomes must be progressed in partnership with iwi/Māori.
- Prevent the installation of new **fossil gas infrastructure and connections** in buildings except where there are no technically viable low emissions alternatives.

We will provide advice on these recommendations and others related to the energy portfolio as part of ERP2 development.

Next Steps

You have opportunities to provide feedback before consultation on ERP2

- **15 February** – Briefing on Electrify NZ
- **21 February** – Briefing ahead of bilateral with Minister of Climate Change
- **26 February** – Bilateral with the Minister of Climate Change
- **Late February** – Climate Priorities Ministerial Group
- **Late March** – Briefing with Energy content for ERP2 Cabinet paper and consultation
- **Late March** – Climate Priorities Ministerial Group
- **April** – Ministerial consultation on ERP2 Cabinet paper
- **May** – Cabinet consideration and ERP2 consultation released



2: Supporting Electrify NZ through the second Emissions Reduction Plan

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We are seeking your early direction

Given the short timeline to ERP2 consultation we need to start developing policy and drafting consultation material this month. We are therefore keen for your early guidance on what you expect to see in ERP2.

The Electrify NZ action plan will be a key pillar of ERP2

Electrify NZ is critical for enabling renewable energy supply to support New Zealand's transition to net zero - electrification will be the key way to meet New Zealand's early emissions budgets. Electrify NZ will span several portfolios, agencies and crown entities and will require a mix of policy work, legislation and RMA national direction tools to grow our renewable generation and support networks to electrify our economy.



We will provide you with a briefing on Electrify NZ on 15 February 2024.

We are seeking your early direction on what other areas of energy policy you want explored through the ERP2 consultation

Electrify NZ and a strong and stable ETS can provide a supportive enabling environment for electrification. This could be accompanied by additional policies that:

- Enable uptake of electrically-powered technologies, such as heat pumps and electric vehicles (and the infrastructure necessary to enable them)
- enable technologies for industries and processes that are hard to electrify
- maintain security of supply.

Policies could include:

- **Signalling** the Government's system-wide approach to energy transition to net zero 2050 (*see 2324-1636 Approach to deliver an Energy Strategy*)
- **Additional enabling regulatory frameworks:** for example, CCUS, demand response and smart coordination, energy efficiency, hydrogen, and SAF
- **Policies to enable emissions reduction in hard-to-electrify sectors** like industry and heavy transport, including through transitional low-carbon fuels like hydrogen and bioenergy

The Energy transition will require action across portfolios, including:

- Infrastructure and Finance
- Immigration, Education and Employment: measures to support workforce, skills
- Science, Innovation and Technology: RD&D
- Trade: supply chain development

For discussion: Do you have a preferred focus for advice in the above areas?

