



BRIEFING

ERP2 Consultation Update and Proactive Release

| | | | |
|---------------------------------|---------------|-------------------------|-----------|
| Date: | 8 August 2024 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | 2425-0257 |

| Action sought | | |
|--|---|----------------|
| | Action sought | Deadline |
| Hon Simeon Brown Minister for Energy | Agree to the proactive release of the documents attached in Annex One . Discuss the attached A3 on options for energy content in the final ERP2 at the Weekly Officials meeting on Monday 12 August 2024. | 12 August 2024 |

| Contact for telephone discussion (if required) | | | |
|--|-----------------------------------|-----------|-------------|
| Name | Position | Telephone | 1st contact |
| Scott Russell | Manager, Energy Use Policy | 9(2)(a) | ✓ |
| Lorenz Maggaard-Romano | Policy Advisor, Energy Use Policy | | |

| The following departments/agencies have been consulted |
|--|
| Consulted with the Ministry of Transportation and Ministry for the Environment on redactions of content for release. |

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

Provides an update on Emissions Reduction Plan two (ERP2) consultation, seeks approval to proactively release key ERP2 energy advice and provide initial advice on energy content for the final plan.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the initial feedback on ERP2 from public consultation.

Noted

- b **Agree** to the proactive release of the documents attached in **Annex One**.

Agree / Disagree

- c **Discuss** the attached A3 on options for energy content in the final ERP2 at the Weekly Officials meeting on Monday 12 August 2024.

Scott Russell
Manager, Energy Use Policy
Buildings, Resources and Markets, MBIE

8 / 08 / 2024

Hon Simeon Brown
Minister for Energy

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Initial feedback from consultation

1. Since ERP2 consultation launched, the Ministry for the Environment (MfE) has coordinated a range of engagement activities spanning the Emissions Trading Scheme (ETS), agriculture, forestry, transport, waste, and engagement with interest groups including Māori, local government, and environmental non-government organisations.
2. On Wednesday 24 July, MBIE hosted a public webinar to provide an overview of the energy chapter in the ERP2 discussion document. 154 people attended the webinar, including stakeholders from across the energy, transport, and financial sectors. The following table summarizes the key takeaways from the consultations so far for the Energy portfolio.

| Area | Initial feedback includes questions on |
|----------------------|--|
| ERP2 approach | <ul style="list-style-type: none">• how an ETS-led approach can reduce energy emissions given recent ETS prices• risks of overreliance on afforestation• what the Government will do if private investment doesn't eventuate• whether the Government had already made up its mind |
| Electrify NZ | <ul style="list-style-type: none">• specifics of the Electrify NZ work programme |
| Gas and CCUS | <ul style="list-style-type: none">• the availability of technology• CCUS modelling assumptions |
| Other | <ul style="list-style-type: none">• progress on the Energy Strategy• relating to their particular interest area (ie, hydrogen standards) |

3. ERP2 consultation closes on 21 August 2024. We will provide further policy advice alongside a summary of energy stakeholder submissions in early September 2024.

We seek your agreement to proactively release key ERP2 energy advice

4. In the weekly report for the week commencing 15 July 2024, we noted we expect the consultation launch will lead to an increase in Official Information Act (OIA) requests for advice relating to ERP2. To manage this, we recommended you agree to proactively release key ERP2 advice during the consultation period.
5. In addition to the documents listed in this weekly report item, we are requesting to include briefing 2324-1197 *Reprioritising the Government Investment in Decarbonising Industry Fund*, as it relates to a key discontinued action from the first Emissions Reduction Plan (ERP1). This briefing (included in **Annex One**) has previously been released under the OIA.
6. We have taken the approach of redacting consistent with the OIA. We have received an OIA request (DOIA 2425-0187) on advice for ERP2 including actions from ERP1 that were discontinued and anticipate that the proactive release will cover this and future OIA requests. If the content is not proactively released, we will have to release this under the OIA. We have proposed redactions mostly on legal grounds and active consideration and are planning to withhold the first draft of the Energy Chapter under free and frank advice.
7. The table below sets out the documents we are looking to proactively release. **Annex One** contains copies of these documents with proposed redactions.

| Document | Previously Released | Changes from previous release |
|--|--|---|
| 2324-1059 The role of energy in the Second Emissions Reduction Plan | Yes | Suggest no longer withholding paragraphs 18, 22 and 23 as active consideration no longer holds |
| 2324-1197 Reprioritising the Government Investment in Decarbonising Industry Fund | Yes | Suggest no longer withholding paragraph 23 as active consideration no longer holds. |
| Electrify NZ and ERP2 – A3 for 12 February 2024 | Title released. Content withheld in full under a previous OIA request. | Proposed to release with redactions as active consideration no longer holds |
| 2324-1763: Bilateral meeting with the Minister of Climate Change | Yes | Suggest no longer withholding recommendations b and c as well as paragraphs 1, 3, 6, 8, 12-15, and 17-19 as active consideration no longer holds. |
| 2324-2313: Emissions Reduction Plan 2 – Energy content for consultation | Title released. Content withheld in full under a previous OIA request. | Proposed to release in full as active consideration no longer holds |
| 2324-3256 ERP2 – Updated energy content for consultation | No | n/a |
| 2324-3385 Climate Priorities Ministerial Group – May 2024 | No | n/a |
| 2324-3512 ERP2 – Updated energy chapter outline | No | n/a |
| 2324-3536 ERP2 – Revised energy chapter for consultation | No | n/a |
| [various dates] ERP2 weekly report updates | Weekly reports have been proactively released. | Active consideration no longer holds for some withheld paragraphs. |

8. We have coordinated with MfE and the Ministry of Transport on redactions for these documents. All three agencies plan to issue their proactive release in mid-August.

The proactive release will include additional detail on Electrify NZ policies

9. The proposed proactive release includes briefings and previous drafts of the energy chapter that include additional detail on Electrify NZ policies, which were removed prior to publication of the final discussion document. For example, these documents include sections outlining work underway on the National Policy Statements for Renewable Electricity Generation and Electricity Transmission, and amendments to the Resource Management Act relating to consent duration, consent lapse time, and one year decision-making for certain consents.

10. While aspects of this broader work programme are already in the public domain and were signalled in your pre-election Electrify NZ manifesto document, this proactive release will be the first public release of the consolidated Electrify NZ work programme. We have prepared proactive release information for the Electrify NZ and Offshore Wind work programmes, though your office has not yet confirmed timing for release of these.
11. In line with OIA provisions we have only proposed minor redactions for Electrify NZ content still under active consideration. These relate to future standards work that was covered in the recent Electrify NZ work programme briefing (2425-0216 refers).

Further policy development

12. The final ERP2 must be published before the end of 2024. This means that there will be a short window to make final policy decisions following consultation.
13. In addition, in June 2024, Cabinet instructed officials to develop a contingency management approach including additional options that further reduce any risk of not achieving the second Emissions Budget (EB2) [CBC-24-MIN-0064 refers].
14. We have considered opportunities for further energy emissions reductions as part of ERP2, which we would like to discuss at the next Energy Officials meeting. **Annex Two** provides an A3 to guide this discussion.

Next steps

15. ERP2 consultation closes on 21 August 2024. We will provide further policy advice alongside a summary of energy stakeholder submissions in early September 2024.

Annexes

Annex One: Documents for Release

Annex Two: A3 - Potential additional energy policy options

Annex Two: A3 - Potential additional energy policy options

Energy content for the Second Emissions Reduction Plan (ERP2)

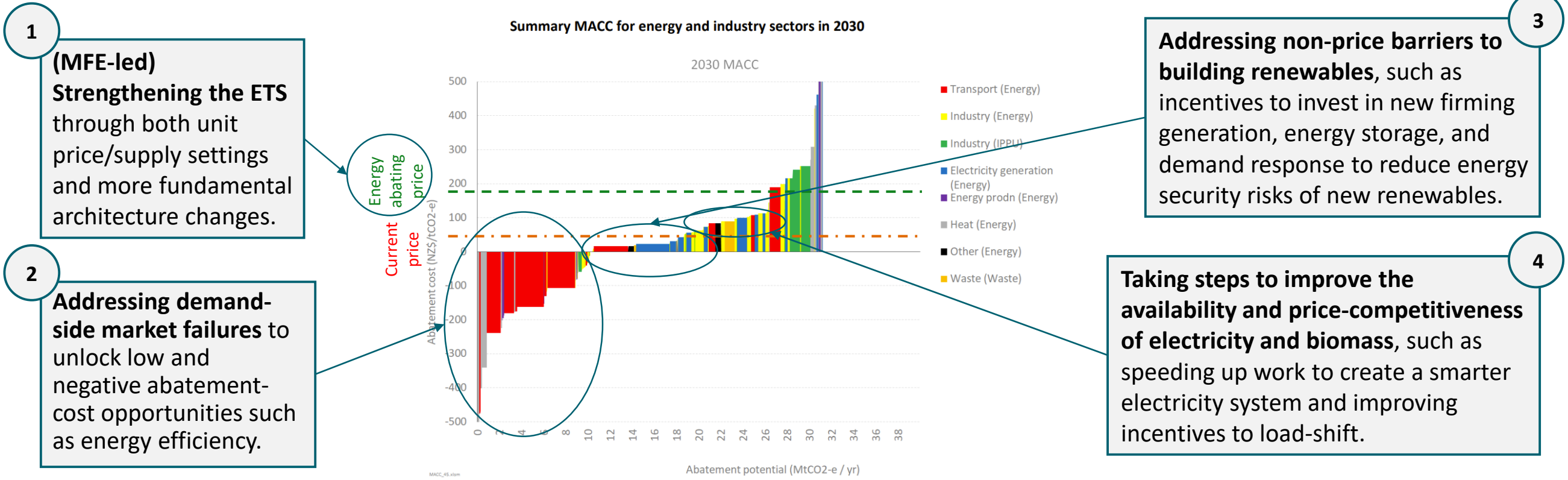
FOR DISCUSSION 12 AUGUST 2024



We are seeking your direction for the shape of the final ERP2

There is a tight window for final policy decisions on ERP2. Consultation closes on 21 August, following which we anticipate having to provide policy content by early September for modelling to support decisions by Cabinet. In June 2024, Cabinet instructed officials to develop a contingency management approach including additional options that reduce risk of not achieving the second Emissions Budget (EB2) [CBC-24-MIN-0064 refers].

There are opportunities to address market failures that prevent additional energy emissions reductions



We will provide further ERP2 policy advice in September

Advice will include analysis in response to the most recent developments in energy markets, submissions, advice on considering relevant Climate Change Commission recommendations, and impact analysis for the key ERP2 energy policies.

This advice could also include analysis of additional policy options to reduce energy emissions in EB2. Under an ETS-led approach we don't expect much impact from additional complementary energy policies. If directed to explore further policies, we would assess options using the following criteria:

- Strategic alignment
- Low fiscal impact
- Certainty
- Effectiveness
- Implementation speed

For discussion:

- Are you comfortable with our framework for developing additional energy policies for ERP2?
- Do you have specific policies / areas you want investigated?
- Note any additional ERP2 work before the end of 2024 will require prioritisation.