



Hon Simon Watts
Minister of Climate Change
PARLIAMENT BUILDINGS

12 May 2025

Tēnā koe Minister,

He Pou a Rangi Climate Change Commission – Response to your 2025/26 Letter of Expectations

Thank you for your letter, dated 12 March 2025, setting out your expectations of the Commission for the 2025/26 financial year. I have also shared and discussed your letter with the other Commissioners.

This letter outlines how the Commission intends to meet your expectations in the year ahead.

We acknowledge the Government's commitment to delivering better results and improving public services while managing within tight fiscal constraints, and further acknowledge the priorities outlined in the Minister of Finance and Minister for Public Service's Enduring Letter of Expectations.

Delivering better results

The Board is keenly focussed on delivering improved national outcomes towards meeting the country's climate goals, drawing on the value the Commission can provide: supporting cost-effective emissions reductions, helping the country proactively adapt to climate impacts, and providing the predictability and evidence base needed to support a stable investment environment for the low emissions transition.

Fiscal sustainability and reporting against Government KPIs

The Commission is committed to ensuring ongoing financial sustainability.

As noted in our quarterly reports, the Commission undertook a significant organisation-wide cost saving exercise and efficiency review in 2024/25. This resulted in a total projected decrease in expenditure of approximately \$5M in the two-year period between 2023/24 and 2025/26.

The delivery of our statutory work programme will continue to be managed efficiently and effectively while managing contractor and consultant spend. Due to the broad scope and the complex technical nature of the Commission's statutory work programme it is not cost effective to have all necessary specialist knowledge retained in-house, which means that specialist contractors will continue to be required at times.

While we remain focussed on delivering our core statutory requirements, the organisation-wide cost saving exercise undertaken last year has seen organisational resilience reduce, meaning our ability to absorb shocks or respond to unforeseen events is now more limited. This increases the risk of disruption to delivery of our advice and reports if additional pressures arise and consequently the risk of legal challenge of either the Commission or the Minister (when the Minister is making a decision considering the Commission's advice).

The Board intends to keep a keen eye on risk management while working within our existing baseline and addressing future cost pressures (for example inflation in outyears) to the extent possible. We will direct management to continue streamlining efforts, and to seek opportunities for partnerships as key mitigating factors – helping the Commission access evidence and insights, and develop advice that is practical and actionable.

The Commission continues to contribute to the six-monthly reviews and Government-owned KPIs conducted by Te Kawa Maataho Public Service Commission.

Performance reporting and working with our monitoring agency

I acknowledge the shared expectation of open and transparent communication which will be supported through the ongoing conversations at regular meetings with you, our quarterly performance reports, and formal accountability documents.

The Commission is committed to the ‘no surprises’ principle and will continue to work with you, your office, and the Ministry to meet this principle. We will also ensure that timely and meaningful information is reported both through the quarterly performance report, including updates on actions taken to align with the 2024 Workforce Policy Statements, and through ad hoc engagement as appropriate.

We appreciated the opportunity to provide initial input on the CCRA amendments and note the amalgamation of the initial technical amendment work with the wider CCRA amendment work planned for 2025/26. We will continue to engage with yourself, your office and the Ministry on this work, particularly where we can offer expert advice on the impacts of proposed changes and to suggest additional improvements as appropriate.

Adaptation

The Commission acknowledges and welcomes the Government’s ongoing commitment to fair and enduring climate change adaptation. As part of our regular reporting through the quarterly performance report, we will continue to update you, your office and the Ministry on the progress on the National Climate Change Risk Assessment (NCCRA) and will work with the Ministry to ensure a smooth transition between the first and second NCCRA with ongoing and long-term monitoring of risks built in.

We continue to welcome the opportunity to provide input to Select Committees as and when appropriate.

Mitigation and emissions reduction

The Commission is preparing for the delivery of the second Emissions Reduction Monitoring (ERM) report in July 2025 which will consider the transition to the second emissions budget and the second Emissions Reduction Plan (ERP), alongside the Climate Strategy. We will continue to engage with the climate change Interdepartmental Executive Board staff around the synergies between the ERM and the adaptive management process initiated under the second ERP, in order to learn from each other’s processes and to avoid unnecessary duplication.

Ensuring good Board governance

As Board Chair, I am pleased to advise that the Board remains focused on the strategic direction and risk management of the Commission, giving consideration to the Government’s priorities while remaining transparent, accountable and managing with integrity.

The Board is committed to ensuring that good governance practices are maintained, and this is supported by implementing changes to the way the Board works, which were agreed in February. To ensure ongoing efficiency and effectiveness of the Commission’s output delivery, the Board has also established a new

technical assurance subcommittee to provide input to the Commission's advice and analysis reports. All meetings will be conducted with the necessary quorums and aligned with good governance practice.

I note your expectation that we share the results of future Board performance reviews in order to ensure good governance and decision-making practices are followed, and we will ensure that the monitoring team at the Ministry are informed of the results of the next Board performance review.

The Board and I look forward to continuing our work with you in the period ahead.

Ngā mihi nui,

A handwritten signature in blue ink, appearing to read 'P. Reddy', with a stylized, cursive script.

Dame Patsy Reddy
Chair