

24 September 2021

Hon James Shaw
Minister of Climate Change
By Email: james.shaw@parliament.govt.nz

Hon Damien O'Connor
Minister of Agriculture
By Email: damien.o'connor@parliament.govt.nz

Tēnā koe Ministers

Thank you for your letter of 9 September 2021 regarding the Terms of Reference for advice on agricultural assistance. We welcome this opportunity to be consulted on the Terms of Reference, as required under the Climate Change Response Act.

We want our advice to be timely and relevant for decision makers but equally we need our advice to be robust, well informed, and evidence based. In considering your proposed Terms of Reference we have also factored in the current resourcing constraints we are facing.

The 31 March 2022 deadline presents a challenge as this means our advice will need to be prepared before the He Waka Eke Noa Partnership (the Partnership) has finalised its pricing proposals and provided them to you. We foresee a risk to the relevance and usefulness of our advice to your decision-making processes should the Partnership's final proposals change substantively from those they will be consulting farmers on shortly.

You have proposed that we will not be required to consider information provided to us after 31 January 2022. This is helpful, and we note the importance of receiving as much information as possible well in advance of that date.

We also note that the request includes advice on what assistance, if any, is appropriate and/or necessary to provide to participants. Without fully understanding the broader pricing proposals from the Partnership we may not be able to advise on these matters by 31 March. Your letter states that we are not required to provide a quantitative assessment. We would like this reflected in the "advice requested" section of the Terms of Reference to clarify the nature and scope of advice expected by 31 March.

The scope of the advice requested, and the possibility that new, substantive information could come to light after 31 January means we reserve the right to revisit, update or supplement the advice we provide to you on 31 March. We may therefore choose to reconsider our advice as part of our broader assessment of agricultural progress due 30 June 2022, or once we have had an opportunity to assess the Partnership's final proposals on the broader pricing system and its implications on the scope of advice you have requested. To acknowledge this, we would like "timeframes" section the Terms of Reference changed to refer simply to a 'report' being provided to you by 31 March.

Your letter also requested that we inform you if we intend to consider other methods of assistance to those listed in Annex 2. We will be happy to do so once we have considered the information provided by your Officials.

We have attached a version of the Terms of Reference with our suggested changes marked. Upon receipt of the final Terms of Reference we will make them publicly available on our website.

We look forward to providing you with advice on these issues which are of great importance for all of Aotearoa.

Ngā mihi



Dr Rod Carr
Chair, Climate Change Commission
On behalf of the Climate Change Commission

Attachment - Annex 1: Suggested changes to Terms of Reference

Annex 1: Suggested changes to Terms of Reference

The Minister of Climate Change and Minister of Agriculture (the Ministers) request a report under s5K of the Climate Change Response Act 2002 (the Act) from the Climate Change Commission (the Commission) in respect of s215 about what assistance, if any, should be given to participants of a future pricing system for farm-level agriculture emissions (the agricultural pricing system).

Purpose of advice

The advice on assistance in the Commission's report will inform decisions by Ministers on agricultural assistance. It will be considered in the preparation of a Ministerial report, required by s215 of the Act, which will outline a system to put a price on emissions from agricultural activities as an alternative to the emissions trading scheme.

Definitions

Assistance – Financial assistance provided to participants to support them to face and appropriately respond to a price on their emissions. Two key forms of assistance are being considered: structured and conditional.

Structured assistance – A form of assistance that applies to all participants (i.e. is calculated as part of their emissions return). Structured assistance reduces a participant's exposure to the full price of their emissions.

Conditional assistance – A form of assistance that is provided to participants on an eligibility basis. This could include support to meet compliance and administrative costs, additional assistance to Māori landowners, hardship funds, exit packages, etc. Conditional assistance could be used to directly discount an eligible participant's overall obligation, or participants could apply for it and if accepted their overall obligation would then reduce.

Advice requested

The Ministers request that the Commission provide a report that analyses: what assistance, if any, is appropriate and/or necessary to provide to participants; whether any groups of participants in particular will require assistance; and, specific methods of providing assistance to participants in the agricultural pricing system. [The Commission is not expected to provide quantitative assessments of these matters.](#)

The methods analysed by the Commission must include specific methods (see Annex Two), which reflect those defined by the He Waka Eke Noa – Primary Sector Climate Action Partnership (the Partnership).

The Commission may consider other variations on methods that it considers relevant. The Ministers request to be informed of these as soon as practicable.

Considerations

In developing its advice, the Commission must consider relevant matters under s5M of the Act (see Annex One).

As part of this, the Commission's analysis should clearly assess how the methods for assistance affect the following matters:

- Creates effective incentives for and achieves emissions reductions that contribute to meeting New Zealand's emissions budgets and targets in the Act;
- the practicality of implementation for farmers and growers, and the regulator;
- any social and distributional impacts on farmers and rural communities;
- the impacts on Māori interests, particularly where these might be disproportionate; and
- the risk of emissions leakage.

Mode of work

In preparing the report, the Commission must act independently, per s50 of the Act. The Commission may engage with relevant persons as provided for by s5N of the Act.

Methods for assistance interact with other features of an emissions pricing system, such as emissions calculation methods and the price level, but the design of these features in the proposed agricultural pricing system will not be finalised when the Commission is undertaking its analysis. Taking this into account, officials will provide draft design features and settings that the Commission can use in its analysis as these are available.

The Partnership may also periodically provide updates and share information with the Commission about its analysis, at dates to be mutually agreed over the period out to March 2022.

The Commission's ability to take information provided by officials or the Partnership into account in its analysis will be constrained by the timeframe available for it to prepare its advice. Any variations that are provided after 31 January 2022 may only be able to be considered if the Commission has the capacity, and may not necessarily be reflected in the ~~final~~ analysis.

Relevant officials will be available to engage with the Commission and will share related information and data to inform the Commission's work.

Timeframes

The Commission's advice on these matters, in the form of a ~~final~~ report, is to be provided to the Minister of Climate Change and the Minister of Agriculture by 31 March 2022.

The Commission will brief officials on its ~~final~~ advice after it has been provided to the Minister, but prior to the public release of the report.

Publication

s5L of the Act applies, meaning the Minister of Climate Change must present a copy of the report to the House of Representatives no less than ten working days after the Minister receives it, and the Commission must make it publicly available as soon as practicable thereafter (but no later than 20 working days after providing it to the Minister).