

Hon Simon Watts
Minister of Climate Change
PARLIAMENT BUILDINGS

Email: Simon.Watts@parliament.govt.nz;

4 December 2024

Tēnā koe Minister

Thank you for your letter of 13 November 2024 regarding the Second Emissions Reduction Plan (ERP2) and the Commission's upcoming NZ ETS advice. In particular, I want to thank you for providing us with an embargoed copy of the ERP2, and its projections, ahead of publication. This is very helpful to support our ability to consider ERP2 in our advice. We will keep this information confidential on a need-to-know basis until after its public release.

We understand you would like us to have regard to the Government's ERP2 in our 2025 advice on NZ ETS unit limits and price control settings (NZ ETS settings). Your letter stated that you were not providing us with direction under s50(2)(a) of the Climate Change Response Act, which means that we are obligated under s50(1) to maintain our independence. We will consider the information you have provided to us in developing our advice – as we consider all relevant information.

We agree to the revised deadline of 18 April 2025 to provide you with the 2025 NZ ETS settings advice. We recognise that allowing us the time necessary to consider the ERP2 in this advice reduces the time available to the Government to consider its response, so I thank you for the flexibility from you and your officials to enable this to happen.

In the past we have briefed Ministry for the Environment (MfE) officials on key decisions in our advice ahead of providing the final advice report to the Minister of Climate Change. This practice started in 2022 when the Commission first gave advice on NZ ETS settings. The purpose of this information sharing has been to facilitate the swift delivery of advice to you from officials, after you receive our report. As part of this, MfE has made information security undertakings to reduce the risk that the Commission's advice leaks or is improperly traded upon; and to reduce the risk of any perception of political interference in the Commission's recommendations. These have included that the Minister and the office of the Minister will not receive any information about final Commission recommendations and advice prior to delivery of our final advice. I have included a summary of previous undertakings MfE committed to in Appendix A, for your information.



Subject to these undertakings, we will work with MfE to brief them on key decisions after the Board has approved final recommendations for the Commission's 2025 NZ ETS settings advice. We will endeavour to do this as soon as practicable, and a reasonable time before regulations need to be made. However, it may not be possible to do this 4 weeks before the delivery of the final advice report, as the precise timing will depend on when the Board approves the final recommendations.

I appreciate your cooperation and that of your officials, and we will also do our best to help manage the challenging timeframes that we both face as smoothly as possible. In this exercise we are all working towards setting regulations that help to ensure the NZ ETS makes the best possible contribution to climate mitigation in Aotearoa New Zealand.

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'Rod Carr', written in a cursive style.

Dr Rod Carr
Chair of He Pou a Rangi Climate Change Commission

Appendix A: Summary of information security undertakings previously made by MfE to the Commission on confidentiality of NZ ETS settings material

In previous years the Commission has provided the Ministry with key decisions and technical information about the NZ ETS settings advice (the information), ahead of providing final advice to the Minister.

We understand that the time available each year to develop, consult on, and finalise NZ ETS settings regulations is tight, and that allowing more time for the Commission to develop its advice comes at the expense of less time for the Government to consider and respond to that advice.

The purpose of sharing this information is to facilitate swift advice to the Minister from MfE officials after we have delivered our final advice report. Undertakings are necessary to reduce the risk that the Commission's advice leaks or is improperly traded upon; and to reduce the risk of any perception of political interference in the Commission's recommendations. Key elements of those undertakings are listed below.

Information Security

- 1. Receipt of information.** The Commission provides the information directly to the relevant MfE general manager (GM) by email who acknowledges receipt.
- 2. Access to the information.** MfE's GM will save any information relating to the advice provided by the Commission in a restricted folder where only people listed as authorised personnel will have access. The list will be limited to those MfE staff necessary to prepare advice to the Minister and named in advance.
- 3. Use of the information.** The information will be read-only and authorised personnel will be unable to download any copies of the information.
- 4. Sharing of information.** The information will not be shared with anyone other than the list of people in the authorised personnel list.
- 5. Drafting Advice.** MfE will use the information to assist in drafting advice. This advice will be saved in the same restricted folder that the information is contained. The advice will not be shared with anyone not on the authorised personnel list, including the Minister, until the Commission provides its advice in full to the Minister of Climate Change.