

# Climate Emergency Response Fund



16 May 2022

Wellbeing  
Budget 2022  
A SECURE FUTURE

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Te Kāwanatanga o Aotearoa  
New Zealand Government



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## **Aotearoa New Zealand's Climate Change Response**

### **A secure future relies on addressing climate change**

Addressing climate change is a core part of ensuring a thriving, productive, and secure future for Aotearoa New Zealand. Government, communities, iwi, and businesses are already taking action. Budget 2022 supports Aotearoa New Zealand to accelerate and expand our response to climate change.

The broad scope of actions and measures reflected in the first Emissions Reduction Plan will require funding across multiple fiscal years. In Budget 2022 a number of key initiatives have been funded through the newly established Climate Emergency Response Fund (the CERF) that will support immediate emissions reductions and help lay the foundations for future reductions and removals. As Aotearoa New Zealand's mitigation response accelerates over time, it is anticipated that additional funding will be sought through the CERF, alongside other high-value initiatives that will support New Zealand's climate change adaptation response.

Climate change is the most pressing long-term challenge facing New Zealand. Mitigating the impact of climate change on our natural environment and the wellbeing of communities is critical. Equally, climate change will have consequences for our economic security. Left unchecked, it will have a significant negative impact on New Zealanders' living standards and the vulnerability of our economy in the coming years.

However, addressing climate change also presents opportunities to improve New Zealanders' living standards as we reduce our reliance on volatile global energy markets, develop new industries, renew efforts to take care of our natural environment, improve air and water quality, and develop knowledge and skills that can help us transition to a high-wage, low-emissions economy that provides economic security in good times and bad.

Even as we take action to mitigate the severe effects of climate change, action will be needed to protect our communities and economy against its unavoidable effects. Anticipated physical impacts in Aotearoa New Zealand from a warming climate include increased temperatures and extreme weather events, new vulnerabilities to flood hazards, greater extremes of both rainfall and drought, ocean acidification, and sea level rise in low-lying coastal areas.

Aotearoa New Zealand trades on its environmental credentials. Our actions are critical to the value of the goods and services we export, including our primary products, tourism, and manufactured goods. As global consumer preferences place increasing emphasis on the importance of climate credentials, we have to make sure we are at the front of pack to continue to grow our exports and diversify our economy.

The overall impact of climate change on our collective wellbeing will depend on how effectively we respond to the significant challenge ahead. The changes our economy and society face from climate change will have implications for wellbeing across the natural environment, human health, and broader economic, social, and cultural wellbeing.

This will include how effectively we transition to a low-emissions economy and mitigate further climate change, as well as how we adapt to the inevitable impacts of a changing climate over the course of the century. It means using climate action to address existing inequities, supporting New Zealanders through this transition by taking pressure off individuals and providing them with choices about how they take part in our combined climate action. All New Zealanders, whether as individuals, communities, iwi, businesses, or central and local government have a role to play in our climate change response.

## Domestic and International Commitments

The response to climate change requires a global effort. For some years, global action on climate change has fallen well short of the scale of the challenge we face. We cannot keep kicking the can down the road; it is time to move.

New Zealand has made domestic and international commitments to contribute to the effort to limit global warming to within 1.5°C above pre-industrial levels. Taking action to mitigate global climate change is a significant opportunity for us to avoid the most severe negative impacts of climate change on New Zealanders' living standards.

Since the previous Government signed up to the Paris Agreement in 2016, there has been an increasing consensus in New Zealand on the need for climate action. The private sector is also becoming increasingly aligned with the public sector on the need to decarbonise our economy; leading New Zealand companies have committed to reducing our reliance on fossil fuels and pursuing lower-emissions alternatives.

The Government has legislated a number of domestic emissions reduction targets. The Climate Change Response Act requires Aotearoa New Zealand to reduce all greenhouse gases, other than biogenic methane, to net-zero by 2050. It also requires a 24 – 47 percent reduction in gross biogenic methane levels by 2050 compared with 2017 levels (with an interim reduction target of 10 percent by 2030). The Act additionally legislates the setting of emissions budgets that act as 'stepping-stones' towards our longer-term targets. These emissions budgets span from now to 2050, with the first emissions budget period covering 2022-2025.

Our response to climate change is a crucial part of Aotearoa New Zealand's role within the global system. The rest of the world associates us with our strong environmental record, with sustainably produced exports, and with the leadership role we have assumed on numerous global issues. To play our part in this global effort, we have made an international commitment under the Paris Agreement through our Nationally Determined Contribution to reduce net emissions by 50 percent relative to 2005 levels by 2030. Our investments through the CERF at Budget 2022 will contribute to meeting this commitment. \$840 million has already been allocated and announced as a New Zealand contribution for international climate financing.

With the release of the first Emissions Reduction Plan, the Government has set out a comprehensive strategy as to how we will meet the first emissions budget. This approach includes:

- partnering with businesses to support the development and adoption of low emissions technologies
- helping to develop new markets for sustainably produced goods and services and provide incentives for consumers to choose lower emissions alternatives
- transforming our transportation systems and urban environments to make our cities more liveable
- improving the resilience of our economy to a range of future shocks
- partnering with iwi/Māori to uphold te Tiriti through the transition to a low emissions economy, and
- restoring and protecting nature.

## The Emissions Reduction Plan

In addition to legislating the requirement to set interim emissions budgets to support Aotearoa New Zealand's longer-term climate mitigation objectives, the Act also requires the development of Emissions Reduction Plans. These are intended to contain the Government's plans and strategies to reduce emissions, increase removal of emissions, and support an equitable transition to a low-emissions, climate resilient economy. Each Emissions Reduction Plan must publicly lay out a plan to meet the relevant emissions budget period and may also include plans and strategies for meeting the two subsequent emissions budget periods. As each new emissions budget period approaches, the Government will develop and publish a new Emissions Reduction Plan.

The first Emissions Reduction Plan (released on 16 May 2022) focuses on meeting our first emissions budget (2022-2025) and will lay important foundations for our plans and strategies to meet our second (2026-2030) and third (2031-2035) emissions budgets. More broadly, it reflects the scale and complexity of the action required to achieve a stable climate. It identifies opportunities to harness the benefits of new technologies and economic prosperity driven by the development of new sectors and increased productivity. It also emphasises the importance of supporting an equitable transition.

The Emissions Reduction Plan includes sector-specific policies to reduce emissions from the Transport, Energy and Industry, Building and Construction, Waste, Fluorinated Gases, Agriculture, and Forestry sectors. It also includes strategies and policy programmes for systems that span multiple sectors, such as supporting an Equitable Transition and Funding and Financing.

## **Funding our climate response: Design and establishment of the Climate Emergency Response Fund**

In 2021, the Government announced the establishment of the CERF with an initial \$4.5 billion 'down payment' for Aotearoa New Zealand's climate spending by recycling the proceeds of the Emissions Trading Scheme into a dedicated fund.

The enduring, multi-year design of the CERF reflects the long-term nature of many of the challenges presented by climate change. By providing funding certainty over multi-year periods and a dedicated funding source for public investment on climate-related initiatives distinct from the main Budget allowances, the CERF will help ensure that longer-term climate objectives remain a key part of future Budgets and that the Government's climate change spending commitments are clearly signalled to the private sector.

At its establishment, the CERF was set up with funding equivalent to the available cash proceeds from the New Zealand Emissions Trading Scheme (ETS) over the period from 2022/23 to 2025/26. In the Budget Economic and Fiscal Update, Treasury has revised up its forecasts of ETS cash proceeds, indicating that another \$800 million will be available over that same forecast period. The Government has decided that the CERF should be topped up proportionally, leaving \$1.5 billion available in the fund after Budget 2022. It is important that we frontload our climate change response, which is why we have made such a significant investment commitment at Budget 2022 from the Fund.

We expect the size of the CERF to grow alongside the main Budget allowances as is necessary. The next review of the CERF is likely to be at the Budget Policy Statement for Budget 2023.

For Budget 2022, the CERF has focused on supporting Aotearoa New Zealand's mitigation response, particularly initiatives and programmes aimed at delivering the actions outlined in the Government's first Emissions Reduction Plan. The criteria for CERF funding in Budget 2022 were that an initiative either:

- was included in the Emissions Reduction Plan
- would directly reduce emissions
- had a main objective of removing barriers to or accelerating emissions reductions
- would support a te ao Māori approach to the climate response
- would facilitate the development of such proposals in the future, or
- would address the distributional impacts of emissions reducing policy.

## Taking action for a more secure economy

Reflecting the importance of the challenge that lies ahead, the Government has identified addressing climate change as a key area of focus for Budget 2022. The \$2.9 billion climate change package for Budget 2022 is an important first step toward implementing the Emissions Reduction Plan and meeting the first emissions budget.

The abatement impact of the policies and measures in the Emissions Reduction Plan has been quantified as 95Mt – 228Mt across the first, second and third emissions budget periods, reflecting a range of low to high policy impact of policies and measures. The investments we have made through the CERF in Budget 2022 are estimated to drive 52 – 70% of this abatement. As initiatives funded through the CERF are implemented and further developed, we are likely to see even greater abatement achieved from the investments we are making in Budget 2022 than our current modelling has identified. We will also make further investments in Budget 2023 that will help us drive our emissions even lower and provide greater support to meeting our first, and future, emissions budgets. In the first emissions budget period, ERP policies and measures have been quantified to drive 5.4Mt – 11.9Mt of abatement of which funding from the CERF in Budget 2022 is estimated to support 21 – 34%.

For context, the first emissions budget caps emissions at 290Mt over the period 2022-2025. Modelling suggests that actions in the ERP will reduce emissions from a projected level of 301.5Mt<sup>1</sup> to a range of 289.6Mt – 296.1Mt. The numbers make it clear that not only will the investment we make through the CERF in Budget 2022 support important abatement to help us meet our first emissions budget, but it will play an enduring role supporting significant abatement that will allow us to meet our second and third emissions budgets as well. The climate actions funded at Budget 2022 recognise the current pressures New Zealanders face as global energy prices remain high following Russia's illegal invasion of Ukraine. That is why they focus on partnerships between the Government, businesses and iwi to take the lead on the actions required, while providing households with greater choices and access to options for engaging in climate action under our first emissions budget. This allows all New Zealanders to progressively become involved in the climate response, and benefit from the investments we are making.

Most importantly, the actions we are taking will improve New Zealand's economic security by moving us towards energy independence and reducing our reliance on volatile global oil markets. Our regions will become more secure and better able to deal with extreme weather events through investments in climate infrastructure. And households will have greater ability to reduce their costs through better transport options.

## Partnering with businesses to reduce emissions and costs and seize new opportunities

New Zealand's industrial sector is a key area of potential emissions reduction. In 2019, emissions from the energy and industry sectors made up just over a quarter (27 percent) of our total gross emissions. The Government is committed to working together with business in order to improve energy efficiency, productivity and economic performance.

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<sup>1</sup> This figure is based on an assumption that the Tiwai Point Aluminium Smelter remains open.

Budget 2022 will provide **\$678 million to expand the Government Investment in Decarbonising Industry Fund (GIDI)**. This fund will support the diffusion of technologies to improve energy efficiency and enable fuel switching toward low-carbon alternatives. This will promote greater business energy security and help businesses cut energy costs, allowing them to become more profitable off the back of their climate action.

### Government Investment in Decarbonising Industry Fund

The GIDI is a partnership between Government and business to accelerate the decarbonisation of industrial process heat. Since November 2020, three rounds of the GIDI Fund have been announced covering 53 projects. These projects include \$68.7 million of funding from the Fund, crowding-in a total of \$117 million of private funding for abatement projects.

In the latest round of the GIDI, for example, Southern Paprika Limited received close to \$5 million to install Aotearoa New Zealand's first CO<sub>2</sub> recovered biomass boiler which is expected to result in 250,000 tonnes of carbon abatement over its lifetime, and Papakura Timber received close to \$400,000 to install a wood boiler for kiln dryers which is expected to result in 33,000 tonnes of carbon abatement over its lifetime.

Process heat makes up around a third of Aotearoa New Zealand's overall energy use, and 60 percent of process heat is fossil-fuelled, mainly by gas and coal. This expansion to the GIDI will continue the progress made so far on decarbonising industrial processes in Aotearoa New Zealand, provide further stimulus to the domestic economy, and support local employment.

The investments we are making to support mitigation in the Energy & Industry sector through the CERF in Budget 2022 are anticipated to drive 11Mt – 24Mt of abatement over the first, second and third emissions budget periods, with up to 1.6Mt quantified to be driven in the first emissions budget period. A significant amount of this is anticipated to be driven by additional investment in the GIDI Fund.

Māori entities will be supported by a dedicated **\$35 million programme to develop tikanga-based approaches** to change farm practices and enable Māori-led actions toward emissions reduction.

Budget 2022 includes a number of initiatives targeted at new economic opportunities in the forestry sector. **\$145 million** will go towards increasing the development of carbon sinks through **new approaches to afforestation**; **\$111 million** will be invested in **improving carbon storage through natural sequestration**; and **\$91 million** will be provided to **stimulate greater production of woody biomass** and provide more options for business to switch away from the use of fossil fuels to improve their own energy security and reduce costs.

Agricultural emissions account for a disproportionate share of our emissions profile, compared to most other countries. The sector contributes 50 percent of Aotearoa New Zealand's gross emissions; approximately 94 percent of our nitrous oxide emissions and around 91 percent of our biogenic methane emissions are from agriculture. The Government will continue to support the industry to develop and disseminate new mitigation technologies through a **\$339 million investment in accelerating the development of greenhouse gas mitigations**.



## Agriculture emissions reduction – Accelerating the development of greenhouse gas mitigations

This initiative will accelerate research and development into new tools and practices farmers can use to reduce on-farm emissions. It will include capability-building programmes, new research and measurement infrastructure, Māori-led mātauranga programmes, demonstration programmes, and a new innovation prize. The initiative will also support the establishment of a Centre for Climate Action on Agricultural Emissions which will include a public-private joint venture focused on developing and commercialising practical tools to reduce emissions, and an enhancement of the New Zealand Agricultural Greenhouse Gas Research Centre to strengthen research and development more broadly into biological emissions.

The investments we are making to support the development of greenhouse gas mitigations for the Agriculture sector through the CERF in Budget 2022 will support a step change in investment and emissions reductions in the sector. Over the first, second and third emissions budget periods we anticipate this initiative will drive 23Mt – 120Mt of abatement, with up to 2.33Mt in the first emissions budget period..

## Supporting households to contribute to emissions reductions

For many New Zealanders climate change is a source of considerable uncertainty, in terms of both our ability to mitigate its effects and what these measures will mean for the way we live our lives over the coming decades.

Alongside key initiatives where some of the heavy lifting is done by Government and large businesses, investments in Budget 2022 also focus on improving accessibility of low-emissions options to a wider range of New Zealand households. As emissions-intensive products begin to be priced higher, we can protect households from increasing costs by ensuring that sustainably produced alternatives are available and affordable. Providing incentives to switch to greener options sooner rather than later can help stimulate the development of new markets and hasten the transition to a lower carbon economy.

Budget 2022 provides **\$569 million to pilot and roll-out a vehicle scrappage scheme** to support lower-income households to replace their family vehicle with a lower-emissions alternative if they choose to. This programme will build on the success of the Clean Car Discount and make the switch to low-emissions vehicles a viable option for a much wider range of households. This is another example of climate action leading to lower costs for households as they reduce reliance on volatile global energy markets.

We will partner with local government and the private sector to improve the options available to households to reduce emissions from food and garden waste through a **\$103 million investment in waste infrastructure**. This initiative will include measures to improve kerbside collection of organic waste and measures to support households in reducing their methane emissions. It's all part of supporting households to participate to the extent that they are able in our national climate action.

## Preparing New Zealand for the transition

Our economic exposure to global shocks such as Russia's illegal invasion of Ukraine is directly related to our dependence on global energy markets. Past investment in renewable energy has played a role in reducing our exposure to inflationary shocks of the sort Aotearoa New Zealand is currently experiencing, particularly in comparison to many European countries whose energy needs are highly dependent on fossil fuels. As the recent global energy crisis has demonstrated, parts of our economy remain vulnerable to unexpected volatility in global energy markets. Further investment in the decarbonisation of our economy will not only help us to meet our emissions reduction targets; it will also improve the resilience of our economy to future shocks and lead to greater economic security.

Budget 2022 provides **\$18 million for the development of a comprehensive energy strategy, a hydrogen roadmap, and the creation of a regulatory framework for offshore wind energy.** This work sets the foundations for future decarbonisation and high value economic opportunities. Creating a clear regulatory environment will support new investment, regional development and highly skilled jobs, while providing more renewable energy options to support our transition to a low emissions economy.

Hydrogen as a fuel could enable the decarbonisation of hard to electrify sectors such as heavy freight and steel – the roadmap will provide the nascent green hydrogen sector with further clarity on how the government will support a pathway to an economically sustainable market for hydrogen. The new regulatory framework for offshore renewable energy will provide a more certain consenting process that balances the impact of offshore renewable investment with other priorities such as fisheries and marine protection.

Together with the energy strategy, these initiatives are an opportunity to ensure that actions to decarbonise our economy are coordinated and considered across the whole energy system.

Helping people reduce their transport costs requires greater transport choice. Budget 2022 will take a significant step toward reducing vehicle use in urban centres through a **\$375 million fund to deliver mode shift and reduce emissions from transportation.** This will also provide additional support to our broader investments in transportation mode shift. Investing in making walking, cycling and public transport more attractive options will help make our cities more liveable and help local councils transition toward low-emissions urban environments.

The decarbonisation of heavy vehicle fleets will be supported by the following initiatives: a **\$41 million investment to support the decarbonisation of public transport** through supporting Public Transport Authorities to deploy low- and zero-emissions buses; and **\$20 million funding to support innovations in the decarbonisation of freight** through co-funding for projects demonstrating low emission freight technologies, fuels, services, infrastructure, innovations and business models.

## *An equitable transition*

Climate change has clear and significant implications for future generations. Taking a holistic approach to wellbeing grounded in te ao Māori provides a valuable perspective on these intergenerational impacts. Te taiao, Aotearoa New Zealand's natural environment, is a fundamental good. It has intrinsic value beyond what it confers to New Zealanders through increased living standards. It is important that principles such as tiakitanga – that emphasise the responsibility for the Government to be a good kaitiaki, or guardian, of Aotearoa New Zealand's natural environment for future generations – are a critical element of our response.

The Government is committed to ensuring an equitable climate transition. This will include addressing the distribution of impacts caused by both the changing climate and the steps we are taking to address it, and making sure that we address existing inequalities that are created within the current system.

Taking meaningful action to address the challenge of climate change means taking action that does not leave any communities, regions, businesses or households behind. Budget 2022 will provide **\$16 million to develop an equitable transitions strategy** in collaboration with people and communities who will be most affected by the transition.

Mitigating impacts for Māori, iwi and hapū will be essential, and can be supported by strong alignment with the principles of tikanga, whanaungatanga, and kotahitanga in our climate response. Budget 2022 will provide **\$31 million for a Māori Climate action platform** to strengthen Māori-Crown relationship, support an equitable transition for Māori, and resource community-based kaupapa Māori and tangata Māori solutions.

## Summary of Climate Emergency Response Fund initiatives by Vote

At Budget 2022 the Government has allocated \$2.9 billion across the forecast period for the CERF. This is in addition to pre-commitments of \$840 million total operating for international climate finance under the Paris Agreement, and \$25 million total operating for the Government Investment in Decarbonising Industry Fund.

This first tranche of public investment on climate change mitigation establishes a number of key work programmes detailed in the Emissions Reduction Plan. Particularly notable investments in the Budget 2022 CERF package include a significant \$1.3 billion Transport sector bundle, \$692 million for the Energy sector, and \$380 million for the Agriculture sector.

### Agriculture, Biosecurity, Fisheries and Food Safety

#### Agriculture Emissions Reduction - Accelerating Development of Greenhouse Gas Mitigations

This initiative will accelerate development and uptake of high impact agricultural mitigation technologies. Funding will accelerate research, grow capability, expand greenhouse gas measurement capacity, streamline the path to market, and deliver demonstration programs to ensure there are fit for purpose tools for use on farm. Expanding international collaborations and our cleantech sector through innovation prizes will further raise both our international standing and contribution to reducing global agricultural emissions. Funding will also support matauranga-based approaches to reduce agricultural emissions, providing further options for Māori and non-Māori landowners to improve sustainability.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Agriculture, Biosecurity, Fisheries and Food Safety	-	28.015	64.766	123.735	122.235	338.751	-

#### Agriculture Emissions Reduction - Developing the He Waka Eke Noa Pricing System (Phase One)

This initiative funds essential development work necessary to support and enable decisions during 2022/23 on the options for the implementation of the agricultural emissions pricing scheme in accordance with new obligations under the Climate Change Response Act 2002.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Agriculture, Biosecurity, Fisheries and Food Safety	-	6.280	-	-	-	6.280	-



### Agriculture Emissions Reduction - Supporting Producers and Māori Entities Transition to a Low Emissions Future

This initiative ensures farmers, growers and whenua Māori entities can access support and have the confidence to move to low emissions farm systems. Building on the He Waka Eke Noa partnership, it funds access to credible information and communications to help shift practices. It will increase on-the-ground and on-farm activities aimed at helping producers change farm practices and adopt new technologies, including through local producer groups focused on reducing emissions. It funds tikanga-based programmes to develop and support long-term low emissions profiles for whenua Māori.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Agriculture, Biosecurity, Fisheries and Food Safety	-	3.456	10.406	10.332	10.497	34.691	0.650

### Business, Science and Innovation

#### Developing a Circular Economy and Bioeconomy Strategy

This initiative supports the development of a circular economy and bioeconomy strategy to reduce emissions. The funding supports cross-agency development of the strategy, research into the ability of the bioeconomy to meet biofuel demand, resource flow maps, and a baseline of New Zealand's current level of circularity.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Business, Science and Innovation	-	1.600	1.100	0.300	-	3.000	-

#### Equitable Transitions Programme

This initiative will fund a programme to co-design an Equitable Transition Strategy in partnership with iwi/Māori and other stakeholders, as a key initiative in the Emissions Reduction Plan and responding to the Climate Change Commission's advice. The Strategy will seek to better understand and respond to the distributional impacts that emerge as a result of the transition to a low emissions economy. By working in partnership with identified affected groups we can determine measures to manage challenges and seize opportunities in the transition.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	4.520	9.290	2.050	0.460	16.320	-

#### Funding Further Decarbonisation of Process Heat and Implementation of Supporting Policies

This initiative increases funding to reduce emissions from industry and process heat and resource the implementation of new regulatory measures. With this funding, businesses will improve energy productivity, bring forward fuel-switching projects, and reduce exposure to carbon price risk. It increases the Government Investment in Decarbonising Industry Fund, provides support to small and medium enterprises, provides rebates for renewable and efficient equipment, and resources the implementation of an energy and emissions reporting scheme and national direction on industrial emissions.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Business, Science and Innovation	-	69.642	151.392	207.375	223.839	652.248	0.570

#### Supporting the the Transition to a Renewable Electricity System

This initiative will develop and implement electricity market measures that support reliable and affordable electricity supply while accelerating the transition to a highly renewable electricity system. It also includes funding to facilitate public sector procurement of renewable electricity through long term power purchase agreements.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Business, Science and Innovation	-	2.770	2.455	-	-	5.225	0.055

### Supporting the Energy Transition to a Low Emissions Economy

The components of this initiative are development of a strategy to decarbonise the energy system, developing a regulatory framework for offshore renewable energy, and developing a roadmap for development and use of hydrogen. These will facilitate the introduction of low carbon fuels and greater renewable electricity to drive New Zealand's transition to a low carbon economy.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Business, Science and Innovation	-	5.647	7.037	4.990	-	17.674	0.054

## Environment

### Delivering New Zealand's International Climate Change Target Through Offshore Mitigation

This initiative provides funding to develop options for offshore emissions mitigation needed to meet New Zealand's international climate change target. It includes work to scope, identify and develop some initial sources of offshore mitigation including options in the Asia-Pacific region that support sustainable development, and negotiate and implement links between the NZ ETS and international ETS's.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Environment	-	1.944	2.149	2.349	2.484	8.926	-

### Emissions Reduction Plan Performance Monitoring

This initiative provides funding for a suite of monitoring and accountability mechanisms to help to keep delivery of the Emissions Reduction Plan on track.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Environment	-	4.171	4.132	4.132	4.132	16.567	-
Finance	-	1.339	1.306	1.348	1.348	5.341	-

### Enabling a Scaled-up, High Quality Voluntary Carbon Market

This initiative will fund a government-supported framework and approval scheme for a voluntary carbon market to serve the Carbon Neutral Government Programme and businesses. This includes developing rules and standards to ensure the credibility of offsets. This will enable the design of a framework that will cover standards for offsets, including what kind of projects will be permissible in the short and long term. It will facilitate work with existing providers, scoping for an accreditation process and a register of projects to account for offsets so that providers and buyers can trade amongst themselves.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Environment	-	1.044	1.094	0.744	0.744	3.626	-

### Māori Climate Action

This initiative provides funding to establish a platform to strengthen the Crown/Māori partnership and support a holistic approach to climate change that supports an equitable transition for Māori. The platform will include mechanisms to ensure diverse Māori participation in climate policy and climate action, support development of a Māori climate strategy, and activate kaupapa Māori, tangata Māori solutions for the climate emergency. A pilot approach to activating kaupapa Māori, tangata Māori solutions will be piloted in year one, with further funding held in contingency subject to Ministers' agreement on the more enduring form of the Māori Climate Partnership and Representation platform.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Environment	-	3.488	2.538	3.258	3.258	12.542	-
Tagged Contingency	-		2.000	6.000	10.000	18.000	-

### Reducing Emissions from Waste

This initiative seeks to implement a suite of proposals to reduce emissions in line with the target reduction pathway in the Emissions Reduction Plan. This initiative will reduce and divert organic waste from landfill and enable emissions to be reduced through delivering:

- resource recovery feasibility studies, business cases, infrastructure and other assets
- behaviour change programmes to reduce emissions from waste, and
- a national waste data programme including landfill gas capture research.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Environment	-	29.887	61.779	5.865	5.565	103.096	-

### Forestry

#### Establishing Native Forests at Scale to Develop Long-Term Carbon Sinks and Improve Biodiversity

This initiative removes barriers for native afforestation: increases propagation capacity, using automated technology to scale up native seedling production and reduce costs; facilitates innovation in seed collection, propagation and forest establishment including restoration, through focused research; and develops a long-term national strategy and action plan to grow native forests in partnership with rural landowners, iwi/Māori, foresters, communities and the private sector.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	9.270	16.529	18.585	20.227	64.611	78.850
Agriculture, Biosecurity, Fisheries and Food Safety	-	-	-	-	-	-	1.500

#### Increasing Woody Biomass Supply to Replace Coal and other Carbon Intensive Fuels and Materials

This initiative will increase biomass supply and stimulate private sector investment to alleviate projected shortages, through Crown planting 10,000ha of short rotation energy forest, and targeted research and development. The initiative will help transform forestry and wood processing to a high-value, high wage sector.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	2.028	5.578	9.843	12.023	29.472	61.594

#### Maximising Carbon Storage: Increasing Natural Sequestration to Achieve New Zealand's Future Carbon Goals

This initiative will fund research to link forest carbon storage to management actions; enable changes to ETS look-up tables to more accurately reflect carbon stock changes and incentivise improved management for new and existing forests and quantify the carbon impact of management in non-forest land use, soil, and coastal ecosystems; and stimulate investment in wood processing to maximise carbon stored in wood products. Together these initiatives will directly contribute to reductions in the first three emission budgets by more than 9.3 million tonnes over 2022-2035.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Forestry	-	5.811	11.630	8.108	4.728	30.277	-



Agriculture, Biosecurity, Fisheries and Food Safety	-	-	-	-	-	-	4.000
Conservation	-	0.935	0.915	0.755	0.755	3.360	-
Environment	-	1.732	2.233	2.234	2.235	8.434	-
Tagged Contingency	-	-	5.963	7.009	7.209	20.181	45.000

## Transport

### Cleaner Vehicles for Low-Income New Zealanders - Social Leasing Scheme

This initiative provides contingency funding to implement and operate a social leasing scheme that leases low-emission vehicles to low-income participants.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	10.000	10.000	-	-	20.000	-

### Cleaner Vehicles for Low-Income New Zealanders - Vehicle Scrap and Replace Scheme

This initiative provides funding to implement and operate a vehicle scrap and replace scheme that provides funding and in-kind support to low-income households to shift to low emission alternatives, upon scrapping a vehicle.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	15.906	15.906	242.900	294.050	568.762	-

### Crown Support for Public Transport Revenue Shortfall due to COVID-19

This initiative provides Crown funding to cover a portion of the revenue shortfall experienced by Waka Kotahi NZ Transport Agency and Public Transport Authorities as a result of reduced patronage due to COVID-19 in the 2021/22 financial year.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Transport	47.400	-	-	-	-	47.400	-

### Decarbonising Freight Transport – Resourcing and Seed Funding

This initiative provides funding for activities that support decarbonising the freight and supply chain sector. This includes funding for business cases and research programmes, capability and capacity, and contestable funding for low emission freight solutions.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Transport	-	1.840	1.368	0.568	0.568	4.344	-
Business, Science and Innovation	-	-	1.292	12.240	2.240	15.772	-

### Decarbonising the Public Transport Bus Fleet

This initiative provides funding to support Public Transport Authorities to invest in bus decarbonisation initiatives, (such as deploying zero-emission buses or investing in associated infrastructure), to reduce greenhouse gases and harmful emissions from the bus fleet.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Transport	-	4.290	8.965	13.695	13.695	40.645	-

### Mode-Shift and Reducing Light Vehicle Kilometres Travelled

This initiative provides funding for activities, infrastructure and services that reduce reliance on cars and supports the uptake of active and shared modes. It commits funding to four indicative investment areas including the rapid roll out of urban cycle networks, creation of walkable neighbourhoods, support for safer, greener, and healthier school travel, and provisions for more reliable and user-friendly public transport. It also provides funding for Waka Kotahi NZ Transport Agency and third parties to develop urban Vehicle Kilometres Travelled reduction plans and programmes that identify activities required to achieve mode-shift and reduce Vehicle Kilometres Travelled.

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Transport	-	110.300	263.250	1.000	-	374.550	-

### Retaining and Recruiting Bus Drivers – Improving Terms and Conditions

This initiative provides funding to improve the retention and recruitment of bus drivers through more attractive terms and conditions to help provide the workforce necessary to absorb an increase in demand for public transportation and support emissions reductions. This is to be given effect to through nationally consistent terms and conditions for bus drivers to be agreed through a bus industry standard agreement for urban bus drivers (represented by Government, Industry, and Unions).

This investment is funded through the Climate Emergency Response Fund.

Vote	2021/22	2022/23	2023/24	2024/25	2025/26	Operating Total	Capital Total
Tagged Contingency	-	13.000	15.000	16.000	17.000	61.000	-

There are also several initiatives funded through the CERF which will be announced on Budget day separately to the main CERF package.

### Review of the size and scope of the CERF

The Government has indicated that more funding will be required to address the complex, multi-faceted issue of climate change. We expect to review the size of the CERF alongside the main Budget allowances as necessary, to ensure that it can continue to invest in high-value initiatives that will help achieve New Zealand's climate objectives.

The Government is also looking to extend the scope of the CERF to fund measures that support climate change adaptation in future Budgets, including through the Government's first National Adaptation Plan which will be released in late 2022.

The next review of the size of the CERF is likely to be in the Budget Policy Statement for Budget 2023. At that time, we expect to roll out another year of the fund so that it extends to cover the 2026/2027 financial year.

### Monitoring and reporting on the Climate Emergency Response Fund

All initiatives that receive funding through the CERF will be subject to new monitoring and reporting arrangements, to ensure that dedicated CERF funding is contributing sufficiently towards meeting the Government's climate change commitments. As part of this monitoring and reporting it is expected that the financial performance and impact of these initiatives will be publicly accounted for on a regular basis.

## Complementary Policy Settings

Meeting Aotearoa New Zealand's climate goals will be a complex, cross-sectoral policy challenge that cannot be achieved through public investment alone. Regulation and other policy settings will be critical to complement Government spending and drive mitigation and adaptation across our economy. Key examples include:

### *New Zealand's Emissions Trading Scheme*

The ETS is Aotearoa New Zealand's core emissions pricing scheme. It requires emitters to obtain and surrender New Zealand Units (NZUs) for each tonne of carbon dioxide equivalent they emit. The scheme creates a price signal through the interactions of unit supply, which is 'capped' at a certain level by the Government, and unit demand, driven by emitters in auctions and on the secondary market. A robust price signal ensures that emitters factor the cost of their emissions into day-to-day business decisions. Over time, as the cap is tightened in line with emissions budgets, the emissions price will increasingly incentivise emitters to reduce their emissions and invest in abatement technologies.

The ETS is central to Aotearoa New Zealand's climate mitigation policy response. Public investment through the CERF can serve to strengthen and complement this signal and drive further and faster emissions reductions that will support Aotearoa New Zealand's transition to a high-wage, low-emissions economy.

### *New Zealand Green Investment Finance (NZGIF)*

NZGIF was established by the Government to accelerate investment that supports decarbonisation in a way that lowers domestic emissions, crowds-in private finance, makes investments on a commercial basis, and undertakes a market leadership and demonstration role. To date, the Government has committed over \$400 million of capital into NZGIF, including over \$300 million through the 2021 Budget process. As at February 2022, NZGIF has invested \$77 million in capital and committed a total of \$123 million. This includes, for example, supporting the deployment of electric bus fleets under long term lease agreements with major operators in New Zealand in partnership with EV fleet and battery storage specialist Zenobē, and supporting solarZero to finance Power Purchase Agreements for solar installations on commercial buildings which will enable up to 40MW of solar generation. We anticipate that NZGIF will continue to play an important role in supporting Aotearoa New Zealand's transition to a low-carbon economy.

### *Sovereign Green Bonds*

Green Bonds are debt instruments that provide financing for specific projects with established environmental outcomes, such as energy efficiency, clean transport, living and natural resource and land use, and climate change adaptation. Using Green Bonds to finance Aotearoa New Zealand's climate transition demonstrates the Government's commitment to managing climate change and supports investor demand for Aotearoa New Zealand sovereign debt. Projects financed by the bonds will be subject to additional scrutiny and, over time, the project selection, evaluation, and reporting requirements will help to ensure high-quality, value-for-money projects with robust environmental outcomes are delivered. The Government will issue its first sovereign Green Bonds later this year.