

In confidence

Office of the Minister of Energy and Resources

Chair, Cabinet Economic Development Committee

Just Transition to a Low Emissions Economy: Strategic Discussion

Proposal

- 1 This paper is designed to support a strategic discussion between Ministers about what we mean by a just transition and the proposed initial focus on ensuring a just transition to a low emissions economy.

Background

- 2 Over the last few months, we have had a number of discussions on the overall direction of the Government's Economic Strategy, related outcomes, priorities and workstreams. In these discussions, we have expressed our desire for a just transition as the economy changes and evolves over time, in particular in response to climate change. This is an integral part of our Economic Strategy for Building a Productive, Sustainable and Inclusive Economy. It is most directly reflected within the priority of Transitioning to a Clean, Green, Carbon Neutral New Zealand. However, a just transition also crosses over with the remaining three priorities - Supporting Thriving Sustainable Regions, Grow and Share More Fairly New Zealand's Prosperity and Deliver Responsible Governance with a Broader Measure of Success.
- 3 As we settle on our economic and environmental goals it is important that we are clear about what we mean by just transition. We also need to begin the process of identifying the critical policy areas that will support a just transition and which sectors, regions and/or communities we need to actively engage with to facilitate a just transition.
- 4 To address these issues I have decided, in consultation with the Chair of the Cabinet Economic Development Committee (DEV), a strategic discussion at DEV would be a good starting point.
- 5 To provide a focus for the discussion I have developed an A3 that is appended to this paper (Annex Two).

Comment

- 6 The A3 in Annex Two provides a perspective on:
 - What we mean by a just transition to a low emissions economy

- How we will implement a just transition and the range of policy levers that will be critical in supporting this approach
- The priorities for the Ministry of Business, Innovation and Employment's (MBIE's) Just Transitions Unit over the next six months.

7 Box 4 of the A3 in Annex Two poses a number of questions for Ministers to reflect on. I provide brief comment below on how we are framing the work and thinking about initial priorities and engagement.

Our focus is on a just transition to a low emissions economy

8 I suggest an immediate focus on a just transition to a low emissions economy, starting with Taranaki given recent decisions on oil and gas, and the challenges and opportunities this presents for the region.

9 We are approaching a number of key decisions, including on the Zero Carbon Bill, role of Climate Change Commission (and emissions budget setting process), Emissions Trading Scheme reform and renewable energy. These decisions will fundamentally change the shape of New Zealand and its regions over the next 30 years. A successful transition will depend on behaviour change by government, investors, businesses, households and consumers. The private sector will lead the large-scale investments required to effect meaningful and positive change. Government has a critical role to play in facilitating a market response to the climate change challenge, including through an effective ETS, high-quality regulation and effective standards.

10 However, to achieve a successful **and** just transition, we also need to understand the nature of the transition pathways ahead and how the impacts might be distributed across regions, sectors or communities so that we can be informed and deliberate about how we manage impacts, and leverage opportunities, in an equitable and inclusive way. This requires bringing together a range of advice from different perspectives e.g. technical and policy expertise related to climate change, economic, labour market and social issues. (Paragraph 19 below provides more detail on how MBIE and MfE plan to work together to implement this just transition approach). From time to time, the Government may also need to act in entrepreneurial mode to help drive the transition through, for example, supporting the development of new technologies and/or industries, where it is necessary to fully realise emerging opportunities e.g. clean energy.

11 Taking a just transition approach is important for maintaining the social licence necessary to realise our ambition for a low emissions economy. It provides us with an opportunity to articulate a compelling long-term vision that offers reassurance that change takes time and is a natural process within economies and society. It also commits the government to supporting the process by partnering with communities and the private sector to help realise the opportunities that will emerge from a low emissions economy and transitioning people into these opportunities.

12 Good quality information is essential to ensuring the Government makes sound investment decisions that will both support a just transition and deliver on its broader economic strategy. A one-size-fits-all approach is unlikely to be successful as the nature of the opportunities and impacts of the transitions will vary across regions, sectors, households and other community groups. For example, some regions and/or communities will be dealing with the legacy of past transitions, and the level and form of support will need to be tailored to their particular circumstances.

All portfolios have a role to play as we implement a just transition

- 13 Taking a just transition approach will require us to apply this lens across our collective portfolios, for example (not an exhaustive list):
- Education - our education system needs to equip New Zealanders with the adaptive skills and life-long learning that they will need to enjoy meaningful work and succeed in an evolving economy. The Institute of Technology and Polytechnics Roadmap (ITP) 2020 and the Vocational Education and Training (VET) review will be important inputs to this process
 - Workplace Relations and Safety – our institutions need to be able to identify and respond to the needs of workers through the transition process in a timely manner. Effective engagement with unions will be key
 - Social support - how we support people who are facing changes to their current employment, via employment assistance programmes and workforce planning, is going to be increasingly important
 - Research, science and innovation – this portfolio will provide the most up-to-date knowledge and information through which we make funding decisions to support our future industries and capabilities
 - Regional economic development – working closely with the Provincial Development Unit to support regional planning and initiatives that will realise opportunities that a low emissions economy presents
 - Investment – the role of the Green Investment Fund to support opportunities for green technologies and businesses
 - Energy policy – how we can best develop clean energy solutions to replace supplies based on fossil fuels.

This approach is reflected within the Future of Work Tripartite Forum, with Just Transitions being one of the four key themes (refer Annex One).

How can we use a just transition lens to build stronger relationships with Māori and our social partners?

- 14 Māori and iwi have an important leadership role in a just transition context, and in many cases are ahead of the Crown in their thinking and implementation of just transition principles. Iwi principles focus on environmental, social and cultural values, in addition to financial outcomes, and their long-term commitment to their regions and communities spans generations. We need to harness this knowledge for broader application, and to underpin our enduring partnership on how we support a smooth transition for all New Zealanders.
- 15 Co-creation with communities, workers and business is a cornerstone of a just transition approach. We will need to invest the necessary time and resources into this process to ensure that it delivers enduring outcomes with strong buy-in from stakeholders. For example, MBIE officials (from the Just Transition Unit and Provincial Development Unit), are working actively with stakeholders in Taranaki to support the region as they plan the transition to a clean energy and low emissions future. This work is not only important for

supporting the region through its transition, it will also allow us to test our co-creation approach and help inform how we could partner with other regions, sectors or communities planning for, and undergoing, transitions.

What is the link between the Economic Strategy and the just transitions approach?

- 16 Over the past few months, we have been focused on developing our Economic Strategy, and there are clear links between this work and the just transitions approach. To successfully transition to a low emissions economy will require significant changes in both what we produce as a country and how we produce it. Many of the things required for us to do so in a fair and inclusive (just) way are consistent with key elements of the Economic Strategy currently being discussed. Both will require choices about policy, regulation and government investment that will facilitate this transition, working with affected sectors and communities to support them through the process.
- 17 I acknowledge that our overall agenda as a government comprises a large and ambitious work programme. The just transitions programme is not necessarily about more work for agencies and policy programmes, but it will be an important lens to be applied to our work. In some cases it may mean additional effort but this will be worked through by agencies with relevant Ministers. Two key Ministerial groupings include the Future of Work Ministerial Group and Climate Change Ministers. I propose that these two groups help me provide critical oversight of the just transition work and drive alignment across relevant work programmes.

Role of the Just Transition Unit and initial work programme

- 18 MBIE has created a Just Transition Unit to help shape and co-ordinate the work that supports a just transition process. This Unit will have an immediate focus on the distributional impacts of major climate change policy decisions, and those regions, sectors and communities most likely to be affected by the transition. It will look at the opportunities that will be created by the transition to a low emissions economy and the support government, partnering with regions, sectors and communities, can provide to transition people into these opportunities.
- 19 The Just Transition Unit will not be responsible for all just transition work. It will work with other government agencies as they bring a just transition lens to their policy and operational work. In particular, the Unit will complement the work of the Transition Hub, located within the Ministry for the Environment. The Transition Hub was established to provide advice on the choices available to meet our 2030 Paris climate target, set future targets and advise on transition pathways. The Hub has expertise on climate change policy and is leading a large work programme to ensure that New Zealand is able to meet its climate change objectives. The Just Transition Unit is working closely with the Transition Hub, sharing knowledge and expertise to create a comprehensive understanding of the impact of climate change policy decisions. This understanding will inform our thinking on how other policy levers (such as the science and innovation systems, investment, education and energy), could be used to assist and support the transition process. Annex One provides a diagrammatic representation of how the Transition Hub and Just Transition Unit will support a just transition approach.
- 20 I propose that the Just Transition Unit initially focuses on three key areas which will help build a just transition approach into our climate change work (See box 3 in the A3 in Annex Two):

- **Partnership:** The focus here is on effective partnering with Taranaki to assist with the region's transition planning and investment. This will provide support for future investment through, for example, the Provincial Growth Fund and the Green Investment Fund
- **Policy alignment and coherence:** Providing coordinated economic advice into key climate change policy processes and developing an evidence base for transition-related decisions (e.g. a better understanding of regional impacts). It also includes a strong focus on ensuring there is alignment across the different policy levers that will be important in supporting a just transition
- **Shared vision:** A key focus here will be planning for a national Just Transition Summit to be held in Taranaki in May 2019.

21 I am also turning my mind to how this work can support our planning on climate change and the transition, as envisaged by the Zero Carbon Bill. The Bill, as recently consulted on, includes a requirement that the Government publish a plan to meet future emissions budgets¹. The plan would provide a longer term strategy for the economy and society to support the transition. If this provision is supported through the Bill process, we may wish to add our just transition work into such a strategy. Its development could be jointly owned by the Transition Hub in MfE and MBIE's Just Transitions Unit, with support from key mitigation agencies such as the Ministry for Primary Industries and other relevant parts of MBIE.

22 Aligning the just transition work with climate change policy is also consistent with the Paris Agreement. In the Agreement, there is an expectation that we formulate a long-term low greenhouse gas emission development strategy (LT-LEDS) in light of the temperature limit goals.² In acknowledging that expectation, we took into account the imperative of a just transition of the workforce and the creation of decent work and quality jobs.³ Moreover, since joining the Paris Agreement, New Zealand joined as co-champion of the Carbon Neutrality Coalition. In doing so, we committed to developing our LT-LEDS "well before 2020" with the aims of reaping the socio-economic benefits of the transition to net-zero greenhouse gases, building climate resilient economies, and accelerating global climate action at the necessary speed and scale.⁴ By integrating our just transition and climate change policy this way, and in turn demonstrating compliance with this suite of voluntary international expectations and commitments, New Zealand will be able to demonstrate global leadership. Leadership is one of the pillars of our climate change decision-making framework [CAB-18-MIN-0218 refers].

23 In order to keep Ministers informed of the just transitions work I propose to bring an update paper to DEV early in 2019 (before the National Just Transition Summit in May 2019). This will include a more detailed work programme.

Consultation

24 The MBIE Just Transitions Unit prepared this paper. The following agencies were consulted: Conservation, Education, Environment, Foreign Affairs and Trade, Health,

1 Emissions budgets are best understood as interim targets, or stepping stones, that set the course for getting to our 2050 target. They will set the total volume of emissions allowed over a set period.

2 Paris Agreement, article 4(19).

3 Paris Agreement, preamble, tenth recital.

4 Declaration of the Carbon Neutrality Coalition.

NZTE, Pacific Peoples, Primary Industries, Social Development, Te Puni Kokiri, Transport, the Energy Efficiency and Conservation Authority and Treasury.

25 The Department of Prime Minister and Cabinet was informed.

Financial Implications

26 This paper has no direct fiscal implications.

Human Rights

27 There are no human rights implications arising from this paper.

Legislative Implications

28 There are no legislative implications arising directly from this paper.

Regulatory Impact Analysis

29 The regulatory impact analysis requirements do not apply to this paper.

Publicity

30 No publicity is proposed.

Recommendations

The Minister of Energy and Resources recommends that the Committee:

- 1 **discuss** this paper and the appended A3s in the context of informing and progressing the Government's approach to a just transition.
- 2 **note** that I will present a just transition work programme to DEV early in 2019 (before the National Just Transition Summit in May 2019).
- 3 **discuss** whether there is merit in reflecting our just transition work within a future long-term climate strategy to provide clarity on the government's desired transition path to a low emissions economy.

Authorised for lodgement

Hon Dr Megan Woods
Minister of Energy and Resources

Annex One – Just Transitions Architecture

