



Cabinet Environment, Energy and Climate Committee

Minute of Decision

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Emissions Reduction Plan: Addressing Emissions Leakage

Portfolios **Finance / Revenue**

On 31 March 2022, the Cabinet Environment, Energy and Climate Committee:

- 1 **noted** that on 20 December 2021, Cabinet noted that the Minister of Revenue, in consultation with the Minister of Finance and the Minister for Trade and Export Growth, is considering the merits of a carbon border adjustment mechanism (CBAM) for New Zealand and how it might be implemented, starting with the cement sector, and outlined an expectation that a paper be submitted to Cabinet in February/March 2022, so that any decisions can be included in the emissions reduction plan [CAB-21-MIN-0547.02];
- 2 **noted** the Climate Commission's recommendation that the government explore alternative policy instruments to industrial allocation that, over the longer term, could be used to address the risk of emissions leakage;
- 3 **noted** the importance of exploring the range of options available to address the risk of emissions leakage to ensure an effective and robust long-term solution;
- 4 **agreed** that the problem to be explored is emissions leakage, as outlined in the paper under ENV-22-SUB-0011;
- 5 **agreed** that, as part of the emissions reduction plan, officials continue work exploring the risk of emissions leakage from only the cement sector initially, and options available to address any identified risk with a view to preparing an issues paper for Cabinet in late 2022;
- 6 **agreed** to officials noting in the emissions reduction plan that the government is exploring the risk of emissions leakage (to the extent agreed to in paragraph 5 above) and options to address any identified risk.

Vivien Meek
Committee Secretary

Attendance (see over)

Present:

Hon Kelvin Davis
Hon Dr Megan Woods
Hon David Parker (Chair)
Hon Damien O'Connor
Hon Michael Wood
Hon Kiri Allan
Hon Phil Twyford
Hon James Shaw
Rino Tirikatene, MP

Officials present from:

Office of the Prime Minister
Officials Committee for ENV