



**Intended for**

- All Ministers
- All Chief Executives
- All Senior Private Secretaries
- All Private Secretaries
- All officials involved in the preparation of Cabinet papers

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## Climate Implications of Policy Assessment Requirements

### Key points

- 1 This circular sets out the requirements for central government agencies to estimate and disclose the greenhouse gas emission implications when certain types of policy proposals are presented to Cabinet. It has been updated to reflect recent Cabinet decisions.
- 2 A Climate Implications of Policy Assessment (CIPA) disclosure is likely to be needed for proposals for Cabinet in which decreasing greenhouse gas emissions has been identified as a key policy objective, or:
  - 2.1 the direct impact on greenhouse gas emissions is likely to be equal to or above 0.5 million tonnes CO<sub>2</sub>-e within the first ten years of the proposal period; or
  - 2.2 the direct impact on greenhouse gas emissions is likely to be equal to or above 3 million tonnes of CO<sub>2</sub>-e within the first 30 years of the proposal period for forestry related proposals.
- 3 Agencies should contact the Ministry for the Environment (MfE) early in the policy process, using the CIPA engagement form, if it is expected that a policy proposal will have significant emission impacts. The engagement form, CIPA toolkit, templates, and further guidance and support, are on the MfE [website](#)<sup>1</sup>.
- 4 For relevant proposals, a statement is required to be included in relevant Cabinet papers (under a separate CIPA subheading in the Impact Analysis section), which contains a summary of the key findings of the analysis, and the quality assurance statement provided by the MfE CIPA team. The CIPA disclosure sheet should also be attached to the paper. Note that a CIPA does not replace a Regulatory Impact Statement, and a RIS will still need to be completed where a proposal has regulatory impacts.

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<sup>1</sup> <https://www.mfe.govt.nz/climate-change/climate-implications-policy-assessment>

## Objectives of the CIPA

- 5 The primary objective of the CIPA is to ensure that Ministers are aware of the implications a decision may have for New Zealand's future greenhouse gas emissions.
- 6 Clear and consistent information will:
  - 6.1 help Ministers to make informed decisions; and
  - 6.2 support the development and monitoring of the policies and plans that will help New Zealand transition to a low emissions economy. This includes meeting greenhouse gas emission reduction targets and future emissions budgets under the Climate Change Response (Zero Carbon) Amendment Act 2019.
- 7 Government agencies should contact MfE early in the policy process, where it is expected that a policy proposal will have significant emission impacts. Agencies may need to undertake some preliminary analysis in order to help the Ministry determine whether a CIPA disclosure will be required. To support this initial contact, agencies should complete the CIPA early engagement form available on the MfE [website](#).

## The relationship between CIPA and other policy analysis requirements

- 8 The CIPA disclosure requirements are not intended to replace the need to include important greenhouse gas emission impacts in Regulatory Impact Statements, or better business case analysis in situations where these Cabinet requirements apply. Where the proposal is regulatory in nature, agencies will also need to complete an Impact Analysis process confirmation form. A document containing both the RIS form and the CIPA early engagement form can be found on the Treasury [website](#)<sup>2</sup>.
- 9 Government agency use of the calculation tool (which is included as part of the CIPA toolkit, explained further in paragraphs 21-23), should help to ensure that any emissions identified in those documents are more robustly estimated. CIPA disclosure sheets will complement the information in Regulatory Impact Statements and similar documents by highlighting the key emissions information that might otherwise be hard to find in the other documents.

## Where the CIPA applies

- 10 Many policy proposals presented to Cabinet will not require a CIPA disclosure. A CIPA disclosure is only required for those policy options or proposals where:
  - 10.1 decreasing greenhouse gas emissions has been identified as a key policy objective; or
  - 10.2 the direct impact on greenhouse gas emissions is likely to be equal to or above 0.5 million tonnes CO<sub>2</sub>-e within the first ten years of the proposal period; or
  - 10.3 the direct impact on greenhouse gas emissions is likely to be equal to or above 3 million tonnes of CO<sub>2</sub>-e within the first 30 years of the proposal period for forestry related proposals.

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<sup>2</sup> <https://treasury.govt.nz/information-and-services/regulation/impact-analysis-requirements-regulatory-proposals>

- 11 These emissions thresholds are lower than the emissions threshold that was applied for the first phase of CIPA of 250,000 tonnes of CO<sub>2</sub>-e per annum (from 1 November 2019 to 29 June 2020).

### **Relevant gases and sectors**

- 12 Where a CIPA disclosure is required due to a proposal meeting the requirements referred to in paragraph 10 above, the disclosure must detail the particular greenhouse gases and sources of greenhouse gas emissions identified, defined and included in [New Zealand's Greenhouse Gas Inventory](#)<sup>3</sup>.
- 13 The types of emissions, to be reported as carbon dioxide equivalent, are:
- 13.1 carbon dioxide;
  - 13.2 methane;
  - 13.3 nitrous oxide; and
  - 13.4 fluorinated gases.
- 14 Disclosure should particularly be considered for proposals which involve the sectors below, as they are more likely to meet the criteria in paragraph 10:
- 14.1 electricity;
  - 14.2 transport;
  - 14.3 industry;
  - 14.4 agriculture;
  - 14.5 waste; and
  - 14.6 land use, land use change and forestry.

### **Types of Impacts**

- 15 The required disclosure only needs to cover the expected direct emission impacts. However, agencies may choose to identify and calculate any further indirect impacts on emissions.

#### **Direct impacts**

- 16 “Direct” emission impacts result from the implementation of a proposed decision or policy. These emission impacts come from attributable and easily identifiable sources related to the policy or proposal. Direct emissions can be further categorised as:

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<sup>3</sup> New Zealand's Greenhouse Gas Inventory is the official annual estimate of all greenhouse gas emissions and removals generated in New Zealand by human activities, prepared and reported in accordance with the United Nations Framework Convention on Climate Change. Follow this link for more information: <https://www.mfe.govt.nz/climate-change/state-of-our-atmosphere-and-climate/new-zealands-greenhouse-gas-inventory>

- 16.1 embodied emissions: associated with the consumption of materials in the production process. For example, in the construction of infrastructure, embodied emissions result from manufacturing and the use of materials, such as steel and cement;
- 16.2 operational emissions: associated with the ongoing operation of a policy or investment proposal. For example, for the creation of new infrastructure, operational emissions span the design life of the building and include appliances such as heating and cooling (i.e. air conditioners, hot water systems, refrigeration, and lighting);
- 16.3 rebound emissions: these arise where changes in the cost or performance of a good or service lead directly to changes in the consumption of that particular good or service. The emissions should be included in the analysis only where they are clear and easy to estimate, and are likely to be of a significant scale. This will be most material to transport and stationary energy, for example in new road infrastructure projects that encourage further private car use.

### **Indirect impacts**

- 17 “Indirect” impacts arise as a second or third order effect of the implementation of the policy proposal. These emissions are likely to arise from long-term changes in behaviour or consumption. For example, the decision to create a new research and development fund may lead to increased innovation, which in turn could help to develop new lower emitting technologies.
- 18 Indirect impacts tend to be more difficult to predict and subject to a high level of uncertainty. As such, a CIPA disclosure is not required for these types of impacts. Where appropriate, MfE will work with agencies to disclose indirect emission impacts on a voluntary basis.

### **Timescales to report against**

- 19 The disclosure sheet, available on the MfE [website](#), enables central government agencies to report the emissions of proposed policies against emission budget time periods until 2050. The budget periods are set in place by the Climate Change Response (Zero Carbon) Amendment Act 2019.
- 20 Emissions will be reported as a cumulative figure within each of these time periods. Other ways of reporting emissions that help inform decisions may be developed over time and will appear in the guidance.

### **CIPA toolkit and guidance**

- 21 The CIPA toolkit to help government agencies estimate the greenhouse gas emissions of policy options and proposals, and meet CIPA requirements, is on the MfE [website](#). The toolkit will ensure that those emissions are estimated and presented in a clear and consistent way across government.

- 22 The CIPA toolkit contains:
- 22.1 an Excel calculation tool, which will help agencies calculate any relevant emission impacts in a robust and consistent way; and
  - 22.2 a disclosure sheet template for reporting those estimated impacts, which is intended to be attached to the relevant Cabinet paper.
- 23 The toolkit also includes further guidance on:
- 23.1 additional detail in relation to relevant gases and sectors; appropriate emission factors, identifying direct and indirect emission impacts, and rebound effects; and impact thresholds for reporting on emissions;
  - 23.2 the process for determining whether a CIPA disclosure is required, including forms to be used to support initial engagement with MfE;
  - 23.3 addressing greenhouse gas emission impacts in Regulatory Impact Statements, or agency analysis required for budget spending or investment proposals; and
  - 23.4 the quality assurance arrangements for the CIPA disclosure, including information on what happens if CIPA requirements have not been met.

### **Quality assurance arrangements**

- 24 The Climate Implications of Policy Assessment Team (CIPA Team) at MfE will provide quality assurance on all CIPA disclosures attached to Cabinet submissions.

### **What needs to be included with Cabinet submissions**

- 25 If the CIPA disclosure requirements apply (for a proposal which meets the criteria in paragraph 10), the following is required to be included with the relevant Cabinet paper:
- 25.1 a completed CIPA disclosure sheet (should be attached to the paper); and
  - 25.2 under a Climate Implications of Policy Assessment subheading in the Impact Analysis section:
    - 25.2.1 a summary of the key findings of the analysis;
    - 25.2.2 a statement on whether a CIPA disclosure sheet is attached to the submission; and
    - 25.2.3 the statement provided by the CIPA Team on the quality of the information set out in the CIPA disclosure. Note that this requirement is supplementary to any quality assurance assessment that might be required in relation to a Regulatory Impact Statement.

## Publication of CIPA information

- 26 Any completed CIPA disclosure sheet attached to a Cabinet submission should be released together with the relevant Cabinet submission in accordance with the proactive release policy for Cabinet material, as set out in CO (18) 4 [Proactive Release of Cabinet Material: Updated Requirements](#).
- 27 Where it relates to a legislative proposal, the CIPA disclosure should:
  - 27.1 be published alongside the Regulatory Impact Statement or Supplementary Analysis Report (SAR); and
  - 27.2 be identified and linked in any disclosure statement prepared for the relevant government Bill or Supplementary Order Paper.

## Cabinet submissions with a missing or an inadequate CIPA disclosure

- 28 If the CIPA requirements apply, but have not been met, MfE may advise the Minister for Climate Change and Chair of the relevant Cabinet committee. If the submission proceeds to Cabinet discussion, the submission should acknowledge the deficiency and include a commitment on when a robust CIPA will be provided to Cabinet. Where applicable, it may be appropriate to seek this as part of a SAR, provided in accordance with Cabinet's Impact Analysis requirements.
- 29 If the submission does not address these issues, the responsible Minister and Minister for Climate Change will jointly determine when and to whom the completed CIPA will be provided, on advice from officials.
- 30 Under certain exceptional circumstances, the CIPA requirement will not apply. The Minister for Climate Change will consider any proposals that seek an exemption of the CIPA requirement due to exceptional circumstances and will grant these on a case-by-case basis.

## Further information

- 31 The CIPA Team at MfE is available to provide further advice on the operation of the CIPA requirements and the estimation of emissions impacts of government policy proposals. See the MfE [website](#) for more detailed information about the matters in this circular.

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Secretary of the Cabinet

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### Enquiries:

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