

In Confidence

Office of the Minister for Economic and Regional Development
Office of the Minister for Social Development and Employment
Cabinet Social Wellbeing Committee

Equitable Transitions Strategy

Proposal

- 1 This paper seeks agreement to the overarching approach for the delivery of the Equitable Transitions Strategy (the Strategy), including the terms of reference and the process to begin public engagement on development of the Strategy.

Issue identification

- 2 The societal and economic changes required to meet New Zealand's climate change obligations have the potential to be wide ranging and transformational, and more so for certain communities and demographics than others. If not managed in a way that builds social licence, the chances of success are limited and the negative consequences significant and far reaching.

Relation to government priorities

- 3 The Government declared a climate change emergency on 2 December 2020. The Cabinet Business Committee (CBC) agreed that climate change "demands a sufficiently ambitious, urgent, and coordinated response across government to meet the scale and complexity of the challenge" [CBC-20-MIN-0097 refers].
- 4 Enabling an equitable transition to a low-emissions, climate resilient future is also a government priority. This was emphasised when the CBC noted the intention to "put the climate at the centre of government decision-making" and agreed that "climate change requires decisive action by all levels of government, the private sector, and communities" [CBC-20-MIN-0097 refers].
- 5 The proposals in this paper relate to the Cooperation Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand. Achieving the purpose and goals of the 2019 zero carbon amendments to the Climate Change Response Act 2002 is an agreed area of cooperation.
- 6 The proposals in this paper also relate to action 3.2.1 of New Zealand's first emissions reduction plan (ERP), to develop an equitable transitions strategy.

Executive Summary

- 7 Meeting emissions budgets and targets will require significant and far-reaching changes across society and the economy that will increase over time. Managing the negative impacts of change, and supporting people to seize the opportunities that the transition will bring, is an essential pillar of the ERP.
- 8 Government has committed to developing an equitable transitions strategy to deliver a well-signalled and inclusive transition that maximises opportunities and minimises disruption and inequities.
- 9 Work led by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Social Development (MSD) is now underway to develop the Strategy in a way that reflects the advice of the Climate Change Commission (the Commission), the ERP, and earlier Cabinet decisions.
- 10 The proposed terms of reference for the Strategy (Appendix One) sets out the governance arrangements for the Strategy and the objectives, outcomes, and timeframes for the work programme.
- 11 The terms of reference notes that the Strategy will be underpinned by a set of actions that are developed over the course of the work programme. Given the cross-cutting nature of actions needed to support an equitable transition, the support and engagement of agencies and portfolios from across government is critical to the success of the Strategy.
- 12 A successful strategy is contingent on a robust engagement process that garners views and input from a diverse range of interest groups. We intend to commence public engagement to inform the development of the Strategy in November 2022 with the online release of the terms of reference and other supporting communications materials.
- 13 The online launch will be followed by targeted public engagement with groups that are unlikely to engage with online content or who may not have access to the internet. MSD and MBIE will develop a communications strategy to support this public engagement. We expect this face-to-face engagement to take place in early 2023.

Background

- 14 In March 2022, Cabinet agreed;
 - 14.1 to accept the Commission's recommendation 28 that the government develop an Equitable Transitions Strategy;
 - 14.2 to commence work on the Strategy in 2022 with a draft Strategy published for consultation by June 2023 and a final strategy published by June 2024;

- 14.3 that the Strategy be developed through high engagement and in collaboration with affected groups, with governance and decision making remaining with Government;
- 14.4 to a set of initial objectives that the Strategy should address [CAB-22-MIN-0070].
- 15 Cabinet also invited the Minister for Social Development and Employment and Minister for Economic and Regional Development to report back to Cabinet with proposed final terms of reference, governance arrangements and delivery approach for the Strategy which takes into account Cabinet's preferred approach to timeframes, governance and stakeholder participation.
- 16 The development of the Strategy was included as a key action in the Equitable Transition chapter of the ERP and funding to enable the delivery of the strategy was provided through the Budget 2022 Climate Emergency Response Fund (CERF).
- 17 In agreeing to the content of the ERP, Cabinet designated MSD and MBIE as the lead agencies for the Equitable Transition chapter. Cabinet also agreed to the supporting actions in the ERP which confirms MSD and MBIE as the lead agencies for delivery of the Strategy [CAB-22-MIN-0152 refers].
- 18 The intent of the Strategy is to ameliorate the negative impacts of the transition and to seize the opportunities, but without delaying or impeding the changes necessary to drive the transition to a low-emissions future.
- 19 The Strategy will complement a number of existing initiatives underway to ensure New Zealand is well positioned to respond to emerging changes in the economy and the labour market and to support an equitable transition. This includes the Reform of Vocational Education, development of the New Zealand Income Insurance Scheme, the Welfare Overhaul, the review of active labour market programmes, the Government's response to the Electricity Price Review, establishment of the Centre for Climate Action on Agricultural Emissions, and Te Manatū Waka/Ministry of Transport's proposed public transport strategy.
- 20 The Strategy will also build on lessons learnt through Just Transition Partnership's work in Taranaki and Southland and draw on existing government partnerships such as the Future of Work Tripartite Forum.
- 21 The Strategy will focus on developing overarching principles to guide Government's approach to the transition over the next 20 to 30 years, and identify where additional supports or initiatives may be needed to ensure the transition to a low-emissions future minimises negative impacts and enables households, businesses and workers to seize emerging opportunities as the economy shifts.

Delivery of the Equitable Transitions Strategy

- 22 We are seeking agreement to the terms of reference for the Strategy which are attached in full in Appendix One.
- 23 The terms of reference cover the scope and objectives for the Strategy, the outcomes that the Strategy will seek to deliver, governance arrangements, an overarching approach to engagement and the timeframes for publication of the draft and final strategy.
- 24 Our intention is that the terms of reference will provide the public with a broad overview of what the Strategy will address and how it will be developed, while retaining enough flexibility for the work programme to evolve in response to stakeholder preferences.

Objectives and scope of the Strategy

- 25 The overarching objective for the Strategy is to set out a vision and supporting actions to enable a high-wage, low-emissions and climate resilient future that maximises opportunities, minimises disruption and inequities and builds social licence for the transition.
- 26 This aligns with the objectives of the Government's economic strategy to support Aotearoa New Zealand to become a high-wage, low-emissions economy that provides economic security in good times and bad.
- 27 The terms of reference also set out a plain language iteration of the six initial objectives for the Strategy which were agreed by Cabinet and reflect and build on the advice of the Commission.
- 28 The six initial objectives are:
 - 28.1 undertaking proactive transition planning that aligns with tikanga values and is developed in collaboration with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, low-income households, and community groups including rural communities, with particular regard to those most affected by the transition
 - 28.2 strengthening efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with skills needed for a low-emissions future, including strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori
 - 28.3 supporting workers to transition from high-emissions sectors to low-emissions sectors, including redeploying and upskilling workers, and identifying preventative interventions to avoid job loss and displacement, in conjunction with workers, unions, education providers and businesses

- 28.4 factoring distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities, including work to improve real-time monitoring of impacts and the development and provision of more detailed modelling and analysis of how the transition will affect different groups
- 28.5 identifying actions to reduce the exposure of households and communities to negative transition impacts and seize opportunities to address existing inequity through climate policy co-benefits – for example measures to improve fairness, accessibility and equity in the transport sector
- 28.6 identifying measures to support continued business viability while also reducing emissions – including for small businesses.

International issues and adaptation are out of scope

- 29 The concept of an equitable transition also applies to global efforts to reduce greenhouse gas emissions. However, New Zealand's efforts to promote an equitable transition on a *global* or *regional* scale are out of scope for the Strategy.
- 30 Similarly, the Strategy will focus on the opportunities and costs of *mitigation* actions – *adaptation* will be out of scope.
- 31 We are conscious adapting to a changing climate will also bring challenges and opportunities, and that several submitters including iwi, unions and councils, emphasised the importance of 'equitable adaptation' during consultation on the draft national adaptation plan. However, expanding the Strategy's scope to include adaptation risks failing to deliver the Strategy by the agreed dates.
- 32 The development of actions to support equitable adaptation is also constrained by the fact that adaptation frameworks – such as the Climate Adaptation Bill – are being developed at the same time as the Strategy, whereas foundational mitigation frameworks, such as the Emissions Trading Scheme, are more established.
- 33 Accordingly, we do not intend to broaden the scope of the Strategy to also encompass adaptation issues. That said, the work programme will seek to ensure the overarching strategy and supporting actions do not compromise our ability to successfully adapt to a changing climate. Where engagement on the Strategy reveals concerns about adaptation issues these messages will be conveyed to relevant policy teams to inform their work programmes.

Content of the Strategy

- 34 The research and actions developed as part of this Strategy will be organised to address these objectives but with some flexibility to respond to additional

risks and opportunities as needed, in light of meaningful consultation with affected groups.

35 Importantly, the final Strategy will be supported by a set of actions. Drawing on the experience developing the ERP and national adaptation plan, the actions included in the Strategy will include:

35.1 *Confirmed actions* – where funding and resourcing is available and there are clearly assigned agencies for delivery. Confirmed actions will include amendments to existing policies or programmes to better align with them with an equitable transition, or new initiatives that are funded through, for example, the 2023 or 2024 CERF budgets.

35.2 *Proposed actions* – where Government has committed to considering the action, but where funding/resourcing is not yet confirmed.

36 Confirmed actions will be primarily developed for inclusion in the final Strategy. However, if there is a strong case to develop actions with more urgency and, for example, to seek funding through the CERF 2023 budget, these may be developed for inclusion in the draft Strategy. These actions would be designed in a way to ensure they do not risk compromising the coherence or consistency of the final Strategy.

37 The Strategy will include:

37.1 An articulation of the change, challenges and opportunities that we are likely to encounter as Aotearoa transitions toward our emissions targets.

37.2 An overarching vision and set of principles to guide Government's approach to the transition over the next 20 to 30 years.

37.3 A brief articulation of how key system settings (including education, the welfare system, labour market, economic development, accessibility, and support for small businesses) and policy settings in high-emitting sectors (such as transport and energy) are aligned to support an equitable transition.

37.4 Amendments to existing policies to better align them with the objectives of an equitable transition – for example scaling up successful programmes.

37.5 A set of new actions to support an equitable transition. Actions will include any initiatives that are funded through the 2023 and 2024 CERF budgets, as well as a prioritised set of future actions.

37.6 A framework to monitor the impacts of the transition and to identify challenges and opportunities in advance.

38 The transition to a low-emissions future could have wide-ranging impacts if not managed effectively. There are a range of impacts that will need to be considered as part of the Strategy. These include:

- 38.1 Emissions reduction policies are likely to result in higher prices for certain household essentials such as gas, petrol and diesel.
 - 38.2 Higher emissions prices, more stringent regulatory requirements and changing consumer preferences are likely to impact businesses and business owners.
 - 38.3 The impacts of the transition on workers will vary with demand for some skills likely to decline while new opportunities will see demand for other skills increase.
 - 38.4 Some regions and communities of Aotearoa will be more affected by the climate transition, particularly those with higher shares of employment and economic activity in emissions-intensive industries.
- 39 The Strategy is an opportunity for the Government to work alongside those groups who will be most affected by the transition to:
- 39.1 Generate innovative ideas and policy responses by accessing different expertise and perspectives
 - 39.2 Ensure the effectiveness and responsiveness of interventions
 - 39.3 Strengthen buy-in and social license for the transition.

Outcomes of the Strategy

- 40 The key outcome that the Strategy is seeking to achieve is that people, businesses and communities, particularly those most affected by the transition, are empowered to manage the impacts of the transition to a low-emissions economy and to seize the opportunities it presents.
- 41 Intermediate outcomes to support people to manage the impacts of the transition and to seize the opportunities include:
- 41.1 The education system supports people to build the skills needed for a low-emissions future and provides options for those who need to acquire new skills.
 - 41.2 Workers in high-emissions jobs are supported to adapt to low-emissions ways of working or are able to transition into appropriate high wage low-emissions employment.
 - 41.3 Businesses have the information and resources needed to reduce their emissions profile and barriers to the growth of low-emissions industries are minimised.
 - 41.4 Policies are designed in a way that delivers equitable outcomes for groups such as low-income households and disabled people and coherent and effective complementary policies are in place to address negative distributional impacts.

- 41.5 Decision makers across Aotearoa have a good understanding of the likely challenges and opportunities that the transition will bring and are well-placed to prepare and plan accordingly.
- 41.6 Central government is monitoring impacts and proactively managing emerging challenges and opportunities.
- 42 A second outcome of the Strategy is to build and strengthen social license for the transition to a low-emissions future. Our objective is to build social license by:
 - 42.1 Communicating that the Strategy is a mechanism to ensure that nobody is left behind in the transition.
 - 42.2 Undertaking a robust engagement process that captures diverse views and perspectives.
 - 42.3 Developing content and actions for the Strategy that respond to and address the issues raised through engagement.
 - 42.4 Proactively communicating with stakeholders to demonstrate how their views are incorporated in the Strategy.

Governance arrangements

- 43 Cabinet agreed that the Strategy should be developed through meaningful engagement and in collaboration with affected groups, with governance and decision making remaining with government.
- 44 The attached terms of reference reflects this decision and notes that the development of the Strategy will be co-led by MBIE and MSD, and jointly overseen by the Minister for Economic and Regional Development and the Minister for Social Development and Employment.
- 45 MBIE and MSD have established an Interagency Governance Group to maintain strategic oversight and ensure that stakeholder management and delivery of the strategy is on track. The Ministry of Transport and the Ministry of Education will also be represented on the Governance Group.
- 46 To support a coherent approach we will also report progress to, and where necessary, seek input from:
 - 46.1 the Climate Change Chief Executives Board (established as an Interdepartmental Executive Board (IEB) under the Public Service Act 2020 to oversee the implementation of the ERP); and
 - 46.2 the Climate Response Ministers Group.
- 47 Promoting an equitable transition is the responsibility of all Ministers and agencies. Accordingly, we are seeking Cabinet's agreement to direct agencies to work with MSD and MBIE to support a consistent and coherent approach to delivering an equitable transition. This includes providing

information on how agencies are factoring distributional impacts into the development of climate strategies and policies.

Engagement will be launched in November 2022

- 48 Development of an effective strategy will require a commitment to ensure that diverse opinions are heard, including Māori, unions, workers, business, women, rural and isolated communities, young people, local government, disabled people, Pacific peoples, ethnic communities and new migrant groups, beneficiaries and those on low incomes.
- 49 The attached terms of reference notes that the Strategy development process will involve working with these groups to develop:
- 49.1 a shared view of the problem definition and the strategic long-term outcomes that are sought
- 49.2 a workable number of options for intervention, with a particular focus on options that are realistic and implementable.
- 50 We intend to use an online launch and targeted communications to commence the public engagement process.
- 51 Following the launch, we will use a range of tailored engagement approaches in order to reach different groups with an interest in the work programme. This will include a submission process following the release of the draft Strategy, engagement with existing Government reference groups that are likely to have an interest in the Strategy and targeted engagement to reach groups for whom traditional engagement processes are less effective.
- 52 We anticipate there will be high expectations around engagement with a number of groups. Engagement events will be designed to enable active participation and where possible, will leverage existing networks and processes in order to avoid duplication of effort and to reduce risks of consultation fatigue.
- 53 We also anticipate that some groups will have high expectations for the content and actions developed as part of the Strategy – for example major initiatives or reform processes with significant budgetary implications. MBIE, MSD and responsible Ministers will work closely with relevant groups to manage expectations as necessary.

Commencing public engagement on the Equitable Transitions Strategy

- 54 We recommend that formal engagement to inform the development of the draft Strategy commences before the end of this year through an official launch of the work programme.
- 55 Typically, an engagement process might begin with a formal “discussion document” or “issues paper” that invites submissions from affected groups. We do not consider this approach is appropriate given the broad issues that

have already been canvassed through the ERP consultation process. We are also mindful that there is a significant volume of public consultation proposed across the climate change work programme in the final quarter of 2022.

- 56 Instead, we are seeking Cabinet's agreement to begin public engagement on the Strategy through an online launch that provides:
- 56.1 Background information on the Strategy (for example a short video outlining the objectives of the Strategy), information on how the Strategy fits alongside the ERP and other climate change work programmes, and the terms of reference for the Strategy.
 - 56.2 Opportunities for people and groups to register for regular updates across the work programme and to participate in engagement events.
 - 56.3 An online survey that seeks views on the risks and opportunities that different groups face because of the transition and to prioritise the issues that are of greatest importance.
- 57 The key objectives for the launch will be to raise the profile of the Strategy work programme, to provide context and information about the work, to make contact with interested parties who wish to be involved in the process, and to collect views on the relative priority of different issues to be addressed through the Strategy from a diverse range of stakeholders.
- 58 Communications will be underpinned by key messages to ensure a clear, compelling and consistent story. Officials have identified the following key messages, which are subject to further refinement before launch:
- 58.1 The transition will bring change and some people and communities will be affected more than others.
 - 58.2 The Government is committed to supporting people across Aotearoa to manage the impacts of the transition and seize the opportunities.
 - 58.3 We want to hear your views and ideas to inform the content of an Equitable Transition Strategy that sets out a vision and tangible actions to address challenges and leverage opportunities.
 - 58.4 This launch is the beginning of a more in-depth consultation and engagement process throughout 2023, including in-person engagement events.
- 59 The online launch will be followed by targeted public engagement with groups that are unlikely to engage with online content or who may not have access to the internet. MSD and MBIE will develop a communications strategy to support this public engagement. We expect this face-to-face consultation to take place in early 2023.

Implementation

- 60 Commencing public engagement on the Strategy is an important first step in the wider work programme to develop the draft Strategy by June 2023 and a final Strategy by June 2024.
- 61 We will seek Cabinet’s agreement to the draft Strategy in May 2023, which will be followed by a formal consultation process along with further in-depth engagement.
- 62 The final Strategy will be published by June 2024 and will inform the Government’s second emissions reduction plan which must be published at least 12 months before the commencement of the second emissions budget period (2026 – 2030).

Milestone	Timeframe
Public engagement commences on the Strategy	November 2022
Report back to Cabinet seeking agreement to the draft Strategy	May 2023
The draft Strategy published	June 2023
Public consultation on the draft Strategy	June – August 2023
Report back to Cabinet seeking agreement to the final Strategy	April – May 2024
The final Strategy published	June 2024
Second emissions reduction plan published	By the end of 2024

Financial Implications

- 63 In Budget 2022, Cabinet agreed to fund the development of the Strategy from the Climate Emergency Response Fund. MSD and MBIE are using this funding to deliver the engagement process alongside other outputs needed to deliver the Strategy.

Legislative Implications

- 64 There are no legislative implications to this proposal, but the work may lead to recommendations with legislative impacts.

Impact Analysis

Regulatory Impact Statement

- 65 A Regulatory Impact Assessment (RIA) has not been undertaken for this paper because the proposals do not have immediate legislative or regulatory implications.

Climate Implications of Policy Assessment

- 66 The Climate Implications of Policy Assessment (CIPA) team confirms that the CIPA requirements do not apply to this paper as the initiatives either do not have a direct emissions impact, do not meet the emissions abatement threshold to require a CIPA, or do not have enough certainty to be accurately quantified.
- 67 While the initiatives in this paper do not require CIPA, supporting businesses and households to reduce their emissions profile is an important approach in helping to manage the distributional impacts of the transition. Accordingly, actions developed as part of the Strategy are likely to play an important role in enabling potentially significant future emissions reductions.

Population Implications

- 68 The challenges and opportunities that emerge because of the transition to a low-emissions economy will not be spread evenly across society. For example:
- 68.1 The Commission's modelling suggests Pacific peoples could experience greater job change as the economy transitions. Overall, there are more job gains than job losses for Pacific peoples but government support will be required to transition and reskill/ upskill workers so they can transition into emerging employment opportunities.
 - 68.2 As a population group who already experience inequitable outcomes, disabled people are at risk of being disproportionately negatively impacted by the transition.
 - 68.3 Regions, including rural communities, that are more reliant on emissions-intensive forms of economic activity, such as the coal, oil, gas industry and primary producers, are likely to experience greater change over the course of the transition to a low-emissions economy.
- 69 The Strategy will seek to proactively respond to challenges and opportunities, with a particular focus on supporting those groups and communities that are disproportionately affected or who have fewer resources to prepare for and manage transition impacts.

Te Tiriti o Waitangi Implications

- 70 Māori will experience both challenges and opportunities through the transition. As tangata whenua, with a unique connection to the land and natural environment, it is critical to consider the transition and its impacts from a Māori perspective. Therefore, the Strategy will need to be developed in close collaboration with Māori.
- 71 Objectives 1 and 2 of the Strategy have a clear focus on Māori. However, it remains important for Māori perspectives to be recognised in achieving all of the Strategy's objectives to uphold the Crown's obligations under Te Tiriti o Waitangi and ensure Māori are not disproportionately impacted by the transition.
- 72 In developing the Strategy, it will be a priority to ensure Māori voices are incorporated. This will require targeted Māori engagement across Aotearoa. Officials are also exploring options for working with existing Māori forums to maximise Māori collaboration in the development of the Strategy, including for example the Interim Ministerial Advisory Committee of the yet-to-be established Māori Climate Platform.

Human Rights

- 73 The proposals in this paper are not in any way inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

- 74 The following government departments and agencies have been consulted on this Cabinet paper: Ministry for the Environment; the Treasury; Department of Prime Minister and Cabinet; Inland Revenue; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Energy, Efficiency and Conservation Authority; Ministry of Transport; Waka Kotahi – New Zealand Transport Agency; Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development; Department of Conservation; Ministry of Education; Te Puni Kōkiri; Te Arawhiti; Ministry for Women; Ministry for Ethnic Communities; Whaikaha – Ministry for Disabled People; Ministry for Pacific Peoples.
- 75 The approach to the Strategy has also been informed through the consultation and engagement undertaken to inform the ERP.

Communications

- 76 We will issue a press release in early November that formally announces the Strategy work programme.
- 77 MBIE and MSD will develop a proactive communications plan to publicise the work programme and to direct interested parties to the online content hosted on the MBIE website. Key communications messages for the launch of the Strategy are set out in Paragraph Error: Reference source not found.

Proactive Release

- 78 This paper will be proactively released with redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic and Regional Development and the Minister for Social Development and Employment recommend that the Committee:

- 1 **Note** that in March 2022, Cabinet agreed to develop an Equitable Transitions Strategy with a draft Strategy published for consultation by June 2023 and a final Strategy published by June 2024;
- 2 **Note** that Cabinet invited the Minister for Social Development and Employment and Minister for Economic and Regional Development to report back to Cabinet with a proposed final terms of reference, governance arrangements and delivery approach for the Equitable Transitions Strategy which takes into account Cabinet's preferred approach to timeframes, governance and stakeholder participation;
- 3 **Agree** to the proposed terms of reference for the Equitable Transitions Strategy (Appendix One) which set out the scope, objectives, outcomes and governance arrangements for the Strategy;
- 4 **Agree** that the scope of the Equitable Transitions Strategy does not extend to addressing issues arising as a result of the need to adapt to a changing climate;
- 5 **Note** that developing an effective Equitable Transitions Strategy will require the input and support of agencies and Ministers from across Government;
- 6 **Agree** to direct agencies to work with MSD and MBIE to support a consistent and coherent approach to delivering an equitable transition including by providing information on how distributional impacts are being factored into agencies' climate strategies and policies;
- 7 **Note** that Cabinet agreed that the Equitable Transitions Strategy will be developed through high engagement and in collaboration with affected groups, with governance and decision making remaining with government;
- 8 **Note** that in order to deliver the draft Strategy in June 2023 it will be important for officials to begin a public engagement process this year;
- 9 **Agree** to formally launch the public engagement process to inform the development of the Equitable Transitions Strategy through the release of a suite of online materials that includes:
 - 9.1 background information on the Strategy (for example a short video outlining the objectives of the Strategy), information on how the

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Strategy fits alongside the ERP and other climate change work programmes, and the terms of reference for the Strategy;

- 9.2 opportunities for people and groups to register for regular updates across the work programme and to participate in engagement events; and
 - 9.3 an online survey that seeks views on the risks and opportunities that different groups face because of the transition and to prioritise the issues that are of greatest importance.
- 10 **Note** that the launch of engagement on the Equitable Transitions Strategy is the first step in a wider engagement process that will seek a diverse range of views to inform the content and actions included in the Equitable Transitions Strategy.
- 11 **Note** that we will report back to Cabinet in May 2023 seeking agreement to consult on the draft Equitable Transitions Strategy from June 2023.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and
Employment

Hon Stuart Nash

Minister for Economic and Regional
Development

Appendix One: Draft Terms of Reference – Equitable Transitions Strategy for Aotearoa New Zealand

Context

- 1 Our transition to a low-emission economy will create challenges and opportunities. Changes will play out in different ways for different regions, industries and groups in society.
- 2 A well-signalled and inclusive transition can ensure that we achieve our climate goals while helping our economy and communities prosper, leading to higher wages, improved wellbeing and more productive and resilient businesses.
- 3 To realise this vision, Cabinet accepted the Climate Change Commission's recommendation to develop an Equitable Transitions Strategy and agreed to include this commitment in the emissions reduction plan.

Purpose

- 4 The purpose of the Equitable Transitions Strategy is to ensure a well-signalled and inclusive transition to a high wage, low-emissions and climate resilient future, which maximises opportunities and minimises disruption and inequities.

Te Tiriti o Waitangi

- 5 To ensure that the transition is equitable, fair and inclusive, the emissions reduction plan recognises the importance of upholding Te Tiriti o Waitangi, working in collaboration with Iwi/ Māori to maximise opportunities, and avoiding disproportionately affecting Māori or locking in existing inequities.

Governance arrangements

- 6 The Ministry of Business, Innovation and Employment (MBIE) and Ministry of Social Development (MSD) are the lead agencies responsible for developing and delivering the Equitable Transitions Strategy.
- 7 The Minister for Economic and Regional Development and Minister for Social Development and Employment are the responsible Ministers.
- 8 MBIE and MSD will chair an Interagency Governance Group to maintain strategic oversight and ensure that delivery, stakeholder management, and budget allocation is on track. Progress will be monitored and reported to:
 - 8.1 The responsible Ministers
 - 8.2 The Senior Leadership Teams of MBIE and MSD

- 8.3 The Climate Change Chief Executives Board established as an Interdepartmental Executive Board (IEB) under the Public Service Act 2020 to oversee the implementation of the emissions reduction plan.
- 9 The Climate Response Ministers Group (CRMG) may take an interest in the development of the Equitable Transition Strategy, given its cross-cutting scope.
- 10 Cabinet will approve the draft and final versions of the Equitable Transitions Strategy before publication.

Scope and Objectives of the Equitable Transitions Strategy

- 11 The development of the Equitable Transitions Strategy will include developing tangible actions and policies to address challenges and leverage opportunities that are targeted toward those groups in most need of support, drawing on a diverse range of perspectives and experiences.
- 12 Cabinet has agreed that the Equitable Transitions Strategy will focus on six initial objectives:
- Objective 1 – Undertake proactive transition planning that is developed in collaboration with Iwi/Māori, local government, regional economic development agencies, workers, unions, businesses, low-income households, and community groups including rural communities, with particular regard to those most affected by the transition.
 - Objective 2 – Strengthen efforts to support a nimble and responsive education system with equitable access that sets New Zealanders up with skills needed for a low-emissions future, including strategies for identifying and building the skillsets needed to support sectors key to move to a low-emissions economy over the next decade, and education pathways by Māori, for Māori.
 - Objective 3 – Support workers to transition from high-emissions sectors to low-emissions sectors, including redeploying and upskilling workers, and identifying preventative interventions to avoid job loss and displacement, in conjunction with workers, unions, education providers and businesses.
 - Objective 4 – Factor distributional impacts into how climate strategies and policies are designed and implemented so that they minimise negative impacts, maximise co-benefits and take opportunities to reduce inequities, including work to improve real-time monitoring of impacts and the development and provision of more detailed modelling and analysis of how the transition will affect different groups.
 - Objective 5 – Identify actions to reduce the exposure of households and communities to negative transition impacts and seize opportunities to address existing inequity through climate policy co-

benefits, for example, measures not improve fairness, accessibility, and equity in the transport sector.

- Objective 6 – Identify measures to support continued business viability while also reducing emissions, including for small businesses.

13 It is recognised that while transition planning and other measures are essential to ensure an equitable transition, these objectives should not be used to justify avoiding or delaying changes necessary to drive the transition to a low-emission future.

Development process for the Equitable Transitions Strategy

14 Across the objectives, the development of actions and policies will be tailored to different challenges and opportunities for different groups. This will be achieved through meaningful engagement across a broad range of groups and interests, including but not limited to:

- Māori
- unions
- workers
- business
- women
- education providers
- regional and rural communities
- local government
- disabled people
- Pacific peoples
- young people
- ethnic communities and new migrants
- low-income and beneficiary households.

15 The Equitable Transitions Strategy development process will involve working with these and other groups to develop:

15.1 a shared view of the problem definition and the strategic long-term outcomes that are sought

15.2 a workable number of options for intervention, with a particular focus on options that are realistic and implementable.

16 The Interagency Governance Group is tasked with ensuring that the strategy development process is collaborative and meaningful. This means:

16.1 developing proposed solutions alongside partners and key stakeholders to ensure that end results meet a broad range of needs

- 16.2 having particular regard to those who are most affected by the transition
- 16.3 ensuring that a diversity of views are incorporated, including groups with less resource to engage in traditional consultation processes.
- 17 It is recognised that meaningful engagement will take time and that some issues within the scope of the Equitable Transitions Strategy may justify action prior to the completion of the final Strategy. Where there is a strong case for early intervention the Strategy will seek to develop actions for implementation in parallel with the development of the overall strategy.

Key dates

- 18 A draft Equitable Transitions Strategy for consultation by 30 June 2023.
- 19 A final Equitable Transitions Strategy prior to June 2024.