

Statement of Performance Expectations

1 July 2020 – 30 June 2021

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Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act, 2004

Statement of Performance Expectations 2020/21

Date: August 2020

ISSN 2703-5816 (Print)

ISSN 2703-5824 (Online)

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Ngā mihi nui ki a tātou

Welcome to the Climate Change Commission. We are a new Crown entity and it's our job to provide independent, evidence-based advice to Government to help Aotearoa transition to a climate-resilient and low-emissions future. We deal in the facts about climate change and it's our intent to create positive change for Aotearoa and the world.

The Commission at a glance

- We are a new independent Crown entity set up to provide expert, evidence-based advice to successive governments to help Aotearoa transition to a climate-resilient and low-emissions future.
- We also monitor and review the Government's progress towards its emissions reduction and adaptation goals.
- Our independence means we can provide impartial advice, challenge and hold the Government to account for action on climate change.
- We are a small team dedicated to ensuring we can pass a better Aotearoa on to future generations. We have a range of expertise, including in economics, public policy, land and resource management, Māori sector, climate science, behavioural sciences, forestry, agriculture and energy. We are supported by a board of seven commissioners, also from varying fields.
- The Commission was established by an amendment to the Climate Change Response Act 2002 (the Act) called the Climate Change Response (Zero Carbon) Amendment Act 2019.
- We work to achieve the deliverables and timeframes set out in the Act.
- This includes reviewing the 2050 emissions reduction target, providing advice on the preparation of emissions budgets and emissions reduction plans, monitoring progress towards meeting emissions budgets, emissions reduction plans and the 2050 target, preparing national climate change risk assessments, and monitoring and reporting on the implementation of national adaptation plans.
- With the passing of the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 by Parliament, we are taking on additional functions including advising on settings for the Emissions Trading Scheme and reporting on progress on primary sector climate change commitments.
- From time to time, the Minister for Climate Change (the Minister) will ask us for advice on specific topics. We also provide other independent advice on matters we believe will impact on the ability of Aotearoa to meet its climate change goals.
- The Act requires us to draw from the best available evidence and analysis and to think broadly about the impacts of climate change and the implications for Aotearoa over time. In doing so, we take a wide systems view so we understand what our advice will mean for central and local government, for individuals and households, for business sectors and communities, for Iwi/Māori, and for our economy and our environment now and into the future.
- We are committed to taking an inclusive approach, working collaboratively with others so we can grow consensus and inspire action to change.
- The Act also requires us to uphold the Treaty partnership and give specific consideration to impacts for Māori. As an organisation we will endeavour to build meaningful and respectful relationships with Iwi/Māori.

See **Glossary** for an explanation of terms.

Statement of responsibility

This document constitutes our Statement of Performance Expectations (SPE) as required under the Crown Entities Act 2004.

The descriptions of our purpose, role and functions are consistent with the Climate Change Response Act 2002.

The SPE covers a one-year period from 1 July 2020 to 30 June 2021 and should be read in conjunction with the Commission's Statement of Intent (SOI) 2020 - 2024.

The Board is responsible for the content of this SPE, which comprises the reportable outputs and the Prospective Financial Statements for the year, including the assumptions on which they are based, and for the judgements used in preparing them.

Because of the impact of Covid-19, the Minister has allowed timeframes for delivery of the Commission's first SOI and SPE to be deferred.

Our performance measures are based on the Climate Change Commission's outcomes framework, which is described in this document.

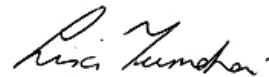
This SPE has been prepared in accordance with section 149c of the Crown Entities Act 2004.

The Prospective Financial Statements have been prepared in accordance with generally accepted accounting practice in Aotearoa.

In accordance with the Crown Entities Act, the Commission has consulted with the Minister in the preparation of this SPE.



Dr Rod Carr
Chair
27 July 2020



Ms Lisa Tumahai
Deputy Chair
27 July 2020

Chair's message

This is the Climate Change Commission's first full year of operation and our first Statement of Performance Expectations.

The Commission was formed in November 2019 alongside the setting of the country's climate targets under the Climate Change Response (Zero Carbon) Amendment Act.

Our core work programme is set out in legislation. The Act requires us to perform specific tasks and deliver within specific timeframes.

The purpose of this work is clear, and it is crucial. We are focused on delivering independent, evidence-based advice to guide climate change action for Aotearoa. This advice will provide the basis for decisions made by successive governments on the actions Aotearoa should take to achieve our long-term climate goals.

This document sets out the performance expectations for the Commission and provides a base against which actual performance can be assessed. It should be read in conjunction with our Statement of Intent 2020 - 2024, which provides further information on the overall direction of the Commission.

Over the 2020/21 year we have a lot to deliver. This includes four key pieces of advice to encourage an equitable transition to a climate-resilient and low-emissions Aotearoa and ensure our country delivers on its commitments to global climate change action.

This includes:

- A draft report on the proposed first three emissions budgets and the first emissions reduction plan. Consultation on these will follow.
- The final report on the first three emissions budgets and the emissions reduction plan.
- Advice on what potential reductions in biogenic methane might be needed in the future.
- A report on Aotearoa's first Nationally Determined Contribution.

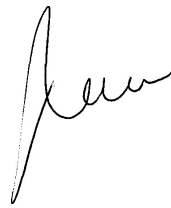
This package of work will be delivered to the Minister on or before 31 May 2021. The Commission had been working to a February delivery, but the Covid-19 pandemic has had an impact on our work programme and an extension was sought. It is crucial we provide quality advice that is grounded in thorough, expert analysis and strong, considered engagement. The extension will ensure this.

Before delivery, and to ensure we get it right, there is groundwork to be laid. This is work that sets up our team, processes and modelling so that the thinking behind our advice is sound. This includes:

- The establishment of the permanent structure and systems.
- The commissioning and testing of the Commission's modelling approach.
- Development of new systems and processes to capture the data we need to accurately measure our performance against the framework described in this SPE.
- Work to re-examine and analyse the work already completed to ensure that it remains accurate and fit for purpose in the post-Covid-19 world.

This work will provide a foundation for the Commission and ensure we deliver.

I would like to take this opportunity to acknowledge the support and engagement from our government partners, Iwi/Māori and our stakeholders who hold so much of the knowledge we seek and a willing and welcoming public. Your input is of great value to the Commission and we hope you will see this reflected in our first deliverables – and in our ongoing work to guide bold climate action in Aotearoa.



Dr Rod Carr
Chair

Alignment with Government priorities

The Commission's work programme directly reflects two of the Government's key issues in This is Our Plan – **1D. Transition to a clean, green carbon neutral New Zealand** (under "An economy that is growing and working for all of us") and **3D. Create an international reputation we can be proud of** (under "Making New Zealand proud").

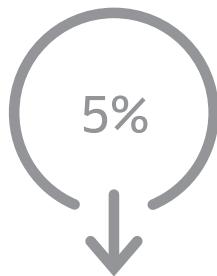
THE ESTABLISHMENT OF THE CLIMATE CHANGE COMMISSION

In November 2019, the Climate Change Response (Zero Carbon) Amendment Act was passed by Parliament. This commits Aotearoa to a long-term emissions reduction target for 2050 and requires the Government to prepare for, and adapt to, the effects of climate change. It also established the Climate Change Commission to provide independent, expert advice to the Government and to monitor and review progress towards our emissions reduction and adaptation goals.

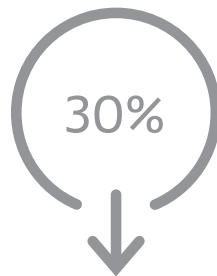
AOTEAROA CLIMATE CHANGE TARGETS

The Government has set domestic and international targets for reducing greenhouse gas emissions. This puts us on the path to a climate-resilient, low-emissions future.

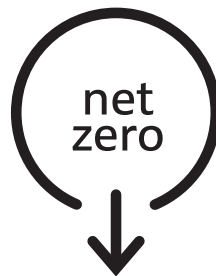
The international targets are:



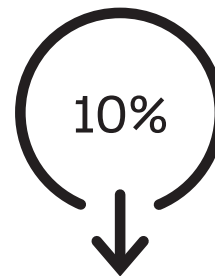
reduction in net emissions below 1990 gross emissions for the period 2013-2020



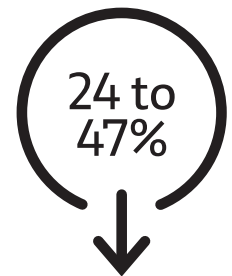
reduction in net emissions below 2005 (or 11 % below 1990) gross emissions for the period 2021-2030



emissions of all greenhouse gases other than biogenic methane by and beyond 2050



reduction below 2017 biogenic methane emissions by 2030



reduction below 2017 biogenic methane emissions by and beyond 2050

These targets will help Aotearoa fulfil its responsibilities under the 2015 Paris Agreement, which came into force in 2016. The Paris Agreement established the goal of limiting global warming to well below 2 degrees Celsius above pre-industrial levels, with efforts to limit it to 1.5 degrees. The 1.5 degrees Celsius goal has now been reflected in our domestic legislation through the passing of the Climate Change Response (Zero Carbon) Amendment Act 2019.

The climate is already changing and past emissions have locked in further change. The pace and scale at which Aotearoa will need to adapt will largely be driven by these past emissions and the world's ability to reduce emissions to meet the Paris Agreement goal.

Who we are

The Climate Change Commission provides independent, expert advice to government to help Aotearoa transition to a climate-resilient and low-emissions future. We are seven 'working' commissioners and a small team of highly skilled staff. We are accountable to the Minister for Climate Change for our performance.

OUR PURPOSE

The Act describes two key purposes for the Commission:

1. To provide independent, expert advice to the Government on mitigating climate change and adapting to its effects; and
2. To monitor and review the Government's progress towards its emissions reduction and adaptation goals.

OUR VISION

Our vision is of **A thriving, climate-resilient and low-emissions Aotearoa.**

OUR MISSION

Our mission is **To deliver independent, evidence-based advice to guide climate change action for Aotearoa.**

Our work

Our core work programme is set out in legislation. The Act requires the Commission to perform specific tasks and deliver within specific timeframes. A timeline of all our required work in the next few years can be found in our SOI.

Due to Covid-19 disruption, the first major set of delivery timeframes has been extended to 31 May 2021.

The Commission also provides the Government with other independent advice on key issues. This includes issues that could impact the ability of Aotearoa to meet its climate change goals and/or will assist the Commission to fulfil its role.

As a new entity, the Commission is committed to establishing the effective practices, policies and systems required to deliver such a significant work programme.

See the **Glossary** for the definition of terms used

INDEPENDENT EXPERT ADVICE

EMISSIONS BUDGETS

Emissions budgets are multi-year quantified emissions limits, set by the Minister, to provide a pathway for Aotearoa to meet the 2050 emissions target. Each emissions budget will state the total emissions of all greenhouse gases permitted during the period and must be met, as far as possible, through domestic emissions reductions and removals. Each emissions budget is accompanied by an emissions reduction plan setting out policies and strategies for meeting the budget.

The Commission's role is not to set emissions budgets. Rather, it is to provide independent advice to enable the Minister to set the budgets.

The Minister is not bound to follow the Commission's advice but must respond to the advice and explain the reasons for any departures from the advice.

The Act states that, from December 2021 there must be one current and two prospective emissions budgets in place at any one time. This requires the Commission to prepare advice on the budgets for the period 2022 to 2035 by 1 February 2021.

However, following the Covid-19 crisis, the Minister has agreed to extend the timeframe for the Commission's advice to on or before 31 May 2021.

BUDGET PERIOD	BUDGET TO BE IN PLACE BY	COMMISSION TO PROVIDE ADVICE BY
2022 to 2025	December 2021	31 May 2021
2026 to 2030	December 2021	31 May 2021
2031 to 2035	December 2021	31 May 2021

The Commission will monitor progress towards meeting the budgets through annual reporting and reporting at the end of each budget period. The Commission will also provide advice on whether any emissions may be banked or borrowed between adjacent emissions budget periods and on limits on offshore mitigation that may be used to meet an emissions budget.

EMISSIONS REDUCTION PLAN

An emissions reduction plan contains policies and strategies to reduce emissions and increase removals to meet the emissions budget.

A plan must include:

- Sector-specific policies to reduce emissions and increase removals.
- A multi-sector strategy to meet emissions budgets and improve the ability of sectors to adapt to the effects of climate change.
- A strategy to mitigate the impacts that reducing emissions and increasing removals will have on employees and employers, regions, Iwi/Māori, and wider communities, including the funding for any mitigation action.
- Any other policies or strategies the Minister considers necessary.

The Commission's role is to provide advice on the direction of the policy required in the emissions reduction plan.

As with the emissions budgets, the Minister has agreed to extend the timeframe for delivery by 1 February to on or before 31 May 2021 because of Covid-19.

EMISSION REDUCTION PLAN COVERING BUDGET PERIOD	COMMISSION TO PROVIDE ADVICE BY
2022 to 2025	31 May 2021

The Commission's monitoring reports on emissions budgets will also assess the adequacy of and progress in implementation of the emissions reduction plan.

BIOGENIC METHANE

The Minister has requested advice on the potential reductions in biogenic methane emissions which might eventually be required by Aotearoa as part of a global effort under the Paris Agreement to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels.

In providing this advice the Commission must:

- a. Leave aside considerations on the current target range for biogenic methane specified in section 5(Q)(1)(b) of the Climate Change Response Act.
- b. Consider the available scientific evidence on the global biogenic methane emissions reductions likely to be required to limit global average temperature increase to 1.5 degrees Celsius above pre-industrial levels.
- c. Consider the potential contribution of Aotearoa to global efforts to limit biogenic methane emissions, reflecting its national circumstances.
- d. Consider a range of potential scenarios for economic, social and demographic changes which might occur in Aotearoa and globally until 2100.

The advice is intended to provide greater certainty for planning purposes about the eventual reductions in biogenic methane emissions which might be required of Aotearoa.

The advice is to be provided at the same time as the emissions budgets and reduction plan described above, that is on or before 31 May 2021.

 REPORT ON THE FIRST NATIONALLY DETERMINED CONTRIBUTION (NDC)

The Minister has also requested a report on the NDC, including:

- a. Advice on whether the NDC is compatible with contributing to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels.
- b. Recommendations on any changes to the NDC required to ensure it is compatible with global efforts under the Paris Agreement.

The advice is to be provided at the same time as the emissions budgets and reduction plan described above.

 OTHER ADVICE

We also reserve the right to provide advice on matters that we believe have the potential to affect the ability of Aotearoa to deliver on its commitments to global climate change action and/or will assist in achieving an equitable transition to a climate-resilient and low-emissions Aotearoa.

FUTURE WORK

NATIONAL CLIMATE CHANGE RISK ASSESSMENTS

The first of these, prepared by the Ministry for the Environment, is expected by mid-2020.

The Commission will prepare the next one, which is due in 2026, and repeat the process every six years thereafter.

NATIONAL ADAPTATION PLANS

The national adaptation plan outlines the government's objectives and strategies for adapting to the effects of climate change. Adaptation plans build upon the work completed by the Climate Change Adaptation Technical Working Group which was formed in 2016. The final report of the Technical Working Group was presented to the Minister in May 2018 and recommended foundational actions. The first national adaptation plan is due in 2022.

The Commission is tasked with preparing reports on the implementation of the national adaptation plan every two years. The Commission will report on the progress in meeting the adaptation plan, how well the plan responds to climate risks and any barriers to further implementation. The first report is due in 2024.

MONITORING AND REVIEWING PROGRESS

We are tasked with monitoring and reporting on progress towards meeting the 2050 target, emissions budgets and reduction plans and on the implementation of national adaptation plans.

The first monitoring report, which will assess progress against the 2050 target, the first emissions budget and the emissions reduction plan, will be due in 2023. The first report monitoring the implementation of the national adaptation plan is due in 2024.

EMISSIONS PRICING POLICIES, INCLUDING THE EMISSIONS TRADING SCHEME

The Climate Change Response (Emissions Trading Reform) Amendment Act, passed by Parliament in June 2020, created additional functions and tasks for the Commission. The new work areas relate to emissions pricing policies, particularly the Emissions Trading Scheme, including providing advice on:

- Limits and price control settings for units in the New Zealand Emissions Trade Scheme.
- Increased or decreased phase-out rates for industrial allocation.
- Progress towards primary sector climate change commitments and on the readiness of farmers to start complying with reporting and surrender obligations.
- What assistance, if any, should be given to participants in an alternative pricing system for farm-level agriculture emissions.

No deliverables will be required in 2020/21, although the Commission's advice on the emissions reduction plan will consider emissions pricing and the Emissions Trading Scheme. However, scoping work on all the deliverables will commence within 2020/21.

OUR APPROACH TO PROVIDING ADVICE

1 ENGAGE AND CONSULT

We have conversations with and listen to New Zealanders. The advice we develop has a lasting impact for Aotearoa and all who live here. Because of this, we need to understand and consider the perspectives of all New Zealanders and take them on the journey with us. We need to understand the specific impacts of our advice on Iwi/Māori, partner with Iwi/Māori in developing our advice, and incorporate te ao Māori into our approach. This means working in partnership. This stage is two-way and ongoing. We will engage and consult multiple times as we form our advice.

2 COLLATE THE EVIDENCE

We gather and analyse data and weigh up all the evidence. Our evidence must be relevant and comprehensive. We gather our data and information from a wide range of credible sources. We need to be methodical in our approach to data collection and modelling and always keep it up to date. We must also test the quality of our evidence and refine it with Iwi/Māori, and a wide range of stakeholders.

The Act requires us to think broadly about the impacts and effects of climate change and our policy response now and into the future. This means we need to take a wide system view and to consider all aspects of that system – ecology and the environment, how any changes would affect individuals and households, and what our advice would mean for business, our society and our economy.

3 ADVISE AND MONITOR

We deliver high quality advice to the Government and monitor progress to meet Aotearoa's emissions reduction and adaptation goals. The Government implements policies that support and incentivise the transition to a climate-resilient and low-emissions future. We provide the Government with other independent advice on issues if we identify something that could impact Aotearoa's ability to meet its climate change goals. By providing independent and evidence-based advice, we help Aotearoa make good choices and avoid costly mistakes.

4 WE DO IT ALL OVER AGAIN

TECHNICAL ADVICE DEVELOPMENT

We will take a two-pronged approach to developing advice on emissions budgets and reduction plans.

This approach includes identifying actions that:

- Will feasibly reduce emissions now.
- Are necessary by 2050 to meet our emissions reduction and adaptation goals.

Tactically, this will position Aotearoa to respond to immediate pressures, take up current opportunities and project out over a long-term horizon, while retaining the flexibility to adapt and take account of new technologies and innovations that emerge along the way.

Within the work plan, we have identified a range of critical tasks that will enable the output of high-quality advice on the emissions budgets and reduction plans within the specified timeframes. These include the following challenges.

UNDERSTANDING BASELINE EMISSIONS

A detailed understanding of where emissions and removals come from, what the drivers of emissions and removals are and how trends could shape future growth or reduction.

IDENTIFYING OPPORTUNITIES TO REDUCE EMISSIONS AND ENHANCE REMOVALS

Gathering evidence on ways to reduce emissions and enhance removals. This includes understanding current and anticipated low-emissions technologies, as well as changes in behaviour and practices.

THE PATHWAY TO 2050 - AND BEYOND

We will develop a consistent approach to assessing options, risks/opportunities, costs/benefits and trade-offs to identify optimal pathways for emissions reduction between now and 2050 and beyond. This process will also consider factors that are outside the direct control of Aotearoa, such as the climate actions of other countries, the pace of technological development and changes in the global economy.

ASSESSMENT OF THE IMPACTS OF OUR ADVICE

We will apply a tailored analytical framework to ensure the broader requirements of the Act are built into our impacts analysis. This framework makes explicit the lens through which we are approaching our analysis (that is, Aotearoa-wide perspectives, te ao Māori perspectives and a Treaty perspective). The framework encourages us to think about potential impacts and/or effects across the whole system (for example, ecological, environmental, social, cultural and economic) as well as the distributional impact for people, place and time.

PROVIDING ADVICE ON THE EMISSIONS BUDGETS AND EMISSIONS REDUCTION PLAN

The above tasks will position us to advise the Government, and other decision makers, on emissions budgets levels and the direction of policy to meet them.

ASSESSING OUR PERFORMANCE

We will hold ourselves to account by developing clear guidelines for measuring the quality of our advice and regularly reporting both internally and externally on how we are progressing. Details of our quality measures will be set out on an annual basis in the SPE.

How we will measure our performance

OUR OUTCOMES FRAMEWORK

The Commission seeks to influence two outcomes: An equitable transition to a climate-resilient and low-emissions Aotearoa and Aotearoa delivers on its commitments to global climate change action.

The complexity of climate change issues within Aotearoa is acknowledged. There is a huge amount of work that needs to be done by many parties to achieve the desired changes. Because of this, the influence of our work will only emerge over relatively lengthy timeframes.

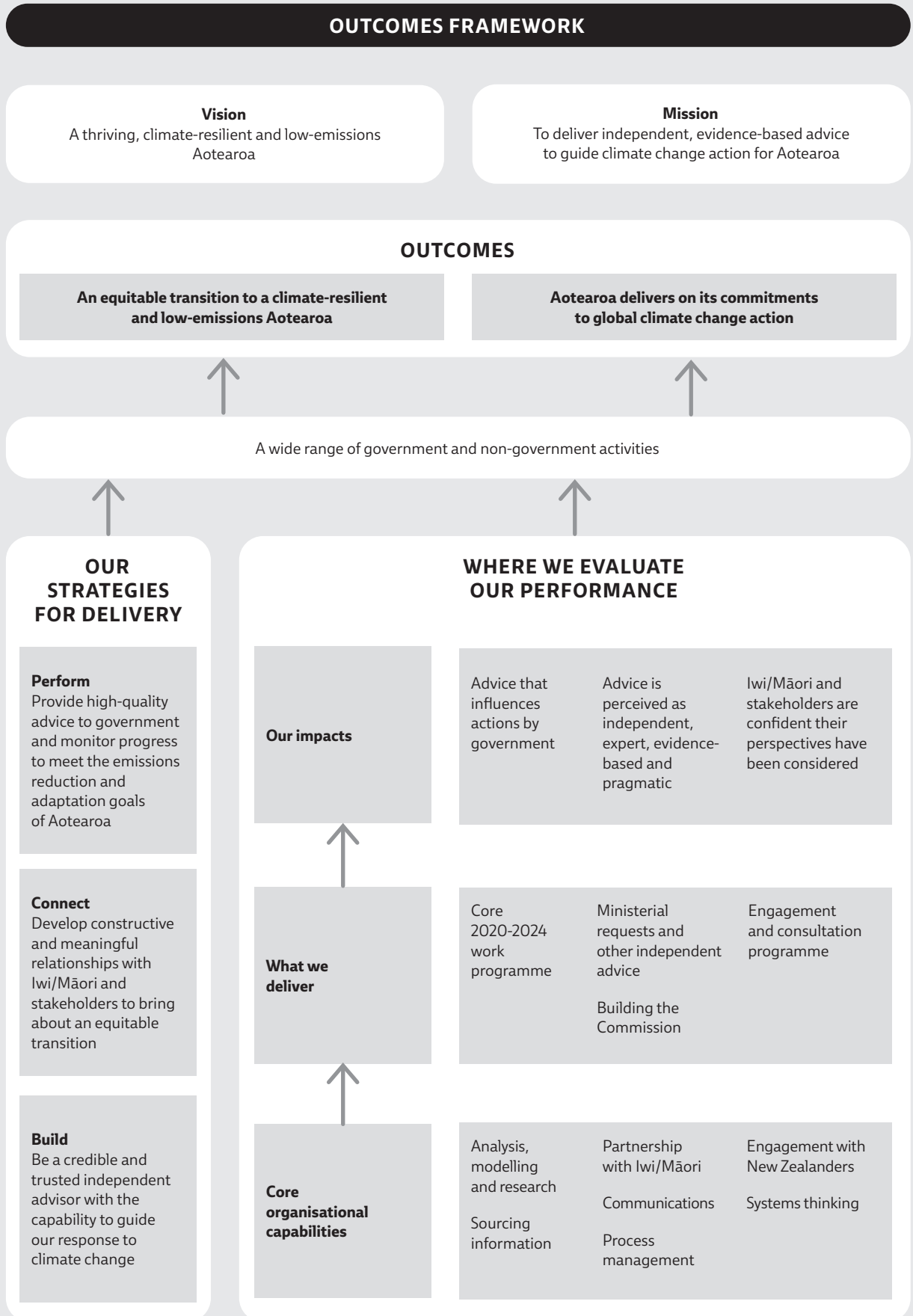
It is challenging to **attribute** changes in the wider climate change performance directly to our performance – we are one of many players who **contribute** to the changes. Our framework, therefore, envisages that our work will contribute to policy and behavioural change as a precursor to having an effect or influence on our two main outcomes.

There are a number of indicators that we will explore to determine if this is occurring, such as whether and how:

- New Zealanders are responding to our work and are able to have their say.
- Our work is widely used by people who are providing commentary or input to policy and is cited in their discussions.

The following diagram illustrates how we expect to make a difference in these areas, along with the core capabilities and the strategies we will employ.

Figure 1: Outcomes framework



How we will measure progress against the framework

2020/21 will be the first year that we measure our progress on a formal basis. This is the year that will begin the work of establishing the data capture systems and setting the baselines against which the Commission's future performance can be assessed.

The detailed measures in this section of this SPE include a number which will not be reported on in our 2021 Annual Report. This can be for either or both of two reasons:

1. We need to scope and implement systems to capture the necessary data. In these cases, there will be an interim performance measure of what we will deliver in 2020/21.
2. The data on which we rely to assess performance will not be available within the year (for example, Government acceptance or otherwise of our initial advice on emissions budgets and emissions reduction plans - these decisions are not due until December 2021).

Measures that will not be reported on in 2020/21 are shaded grey in the following tables with footnotes to indicate why they will not be reported. They are included in this SPE to show the complete picture of what we intend to build and use to measure our performance across the full range of our outcomes, impacts and outputs.

The tables also note that not every measure will be reported on every year. We have a long-term horizon - to 2050 and beyond - and progress year on year may not be discernible. In other cases, measurements are tied to the provision of specific advice, which doesn't necessarily occur every year.

MEASUREMENT APPROACH

Given the challenges around identifying and attributing the effects of our work, our measurement approach tends to focus on whether our work is high quality and our relationships with Iwi/Māori and engagement with stakeholders are effective. We measure the impact we are having by distilling the reactions to our work from everyone involved in our relationship, engagement and consultation processes and through responses to our work from the Government and others.

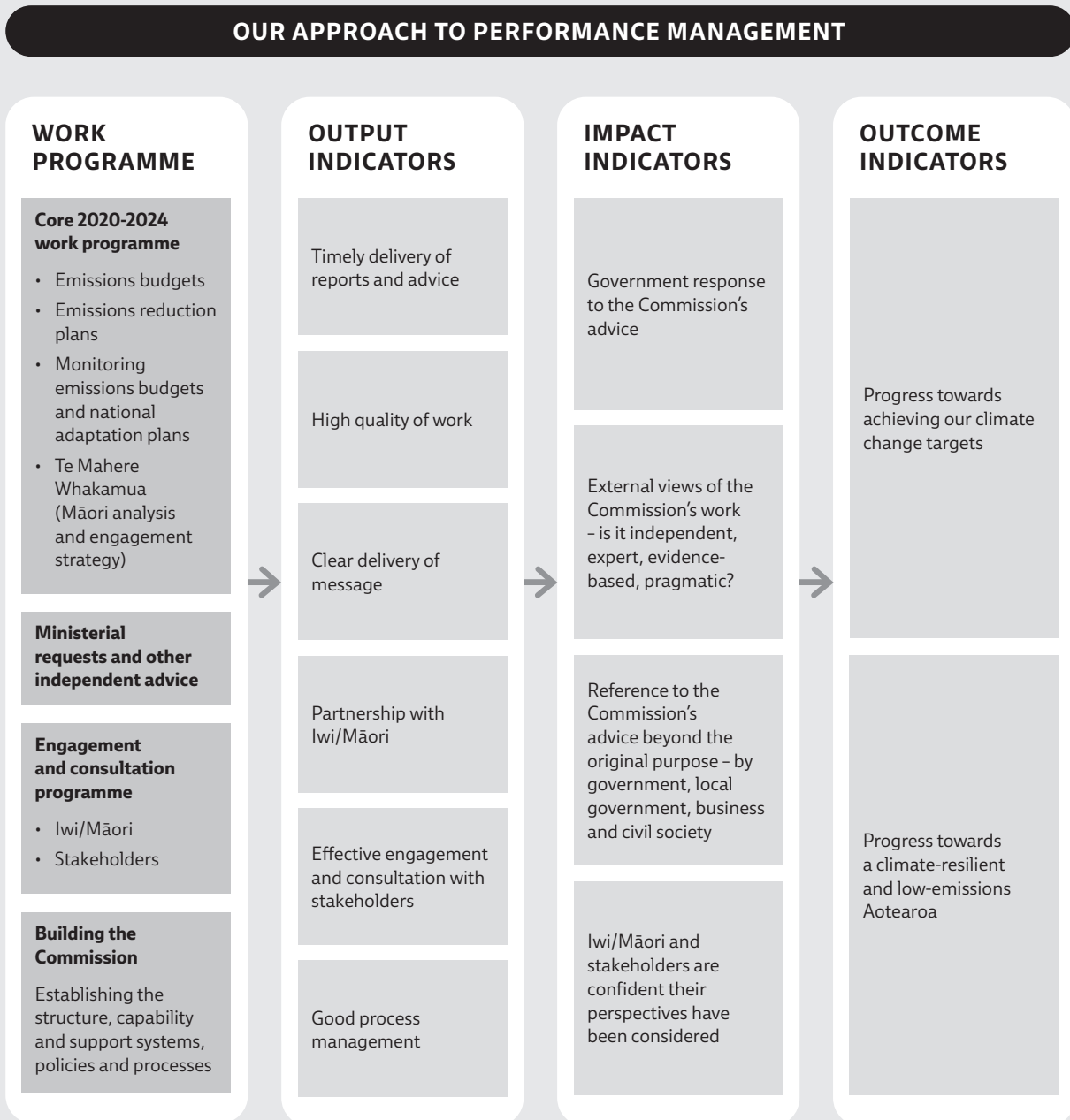
The long timeframes of our statutory work programme make it difficult to capture performance in fixed quantitative targets, so the Commission will take an evaluation-based approach to measuring our performance using:

- Comprehensive internal processes to ensure that what we deliver has been robustly canvassed, developed, assessed and signed off.
- External peer reviews of all the advice specified under the Act or requested by the Minister to report on whether the advice is robust and rigorously tested. Peer reviewer recommendations will be actively considered, with any decisions to decline them justified.
- Case studies of how we build our relationships with Iwi/Māori.

- Commencing in 2021/22, a biennial survey of all stakeholders and Iwi/Māori, to assess their perceptions of our performance with a particular focus on:
 - Our independence, expertise, evidence base and pragmatism.
 - Their confidence that their perspectives have been considered.
 - The clarity of our message.
 - Whether and how they have used our advice.
- Analysis of how our advice is used – by central and local government, Iwi/Māori, business and civil society.
- An online engagement tool that tracks who we are engaging and consulting with and on what topics and that collects timely feedback on how they view our engagement and consultation processes.
- Monitoring our own carbon footprint and how we “walk the talk”.

Given the above, our approach to performance measurement can be summarised in Figure 2 overleaf.

Figure 2: High level performance framework



REPORTING TIMEFRAMES

A number of our measures use data that will be captured on a calendar rather than financial year basis. In some cases, the data reported on in a particular year may date from up to two years previously. We will be explicit about the timeframe being reported on in our measures.

DETAILED MEASURES

The Commission has selected what we believe are the “critical few” measures that, taken together, can succinctly tell the story of our work and successful performance. Over time, additional measures may be added if required, but the intention is to keep the number relatively low.

USE OF CASE STUDIES

The Commission will use case study methodology to measure some aspects of its performance – in particular, the relationship with Iwi/Māori. Case study methodology involves the detailed examination of a specific subject (in this case the developing relationship between the Commission and specific groups of Iwi/Māori) and provides a rich, qualitative story. Case studies start by selecting the groups involved, agreeing terms of reference (TORs) for the process and then following through, irrespective of the final outcomes – they are not an opportunity to cherry-pick good results. Case studies provide the opportunity to:

- Provide new or unexpected insights into the subject.
- Challenge or complicate existing assumptions and theories.
- Propose practical courses of action to resolve a problem.
- Open up new directions for future research or investigation.

OUTCOME INDICATORS

We are seeking, through our work, to influence two key long-term societal changes:

1. An equitable transition to a climate-resilient and low-emissions Aotearoa.
2. Aotearoa delivers on its commitments to global climate change action.

We are one of many contributors to our outcomes. Therefore, we can only **contribute** to the outcomes; they are not **directly attributable** to our actions.

KPI	OUTCOME	MEASURE	FREQUENCY	TARGET	ASSESSMENT METHOD
1	An equitable transition to a climate-resilient and low-emissions Aotearoa.	Equitable progress towards climate resilience and low emissions. ¹	Biennial starting in July 2023.	Baseline created in 2023/24 using 2021 data. Assessment methodology to be scoped in 2020/21. Monitoring process to be scoped in 2021/22.	The assessment method is yet to be developed, but will use monitoring indicators from externally provided data.
2	Aotearoa delivers on its commitments to global climate change action.	Progress towards 2050 climate change target. Progress against the applicable emissions budgets. ²	Annual - once emissions budgets are set, budgets are set in December 2021.	Alignment of actual emissions with emissions budgets. Final target to be determined.	Annual report required under section 5ZK of the CCRA using NZ Greenhouse Gas Inventory and the emissions budget period.
3	Aotearoa delivers on its commitments to global climate change action.	The Commission measures and mitigates its own carbon footprint (We “walk the talk”).	Annual starting 2020/21.	Baseline in 2020/21. Target to be established.	Carbon footprint monitoring contract with Toitu. Stories of how the Commission limits its footprint.

1. This work will draw upon the data and assessments we will use in our role of monitoring the emissions reduction plans and the national adaptation plans, but does not duplicate those reports.

2. The first emissions budget is due in December 2021, so the first report on progress will not occur until 2022/23.

IMPACT INDICATORS

The Commission is an advisory body and does not run or implement any policies or programmes. We rely solely on our expertise and clear communication of our analysis and ideas to achieve results. Through our work, we are seeking to deliver the following impacts:

- Advice that influences actions by government.
- Advice is perceived as independent, expert, evidence-based and pragmatic.
- Iwi/Māori and stakeholders are confident their perspectives have been considered.

Our influence may be direct and relatively immediate (through the acceptance of our advice and recommendations leading to changes in policy and behaviours) or long term and indirect (through improving progress towards achieving climate change goals in Aotearoa).

KPI	IMPACT	MEASURE	FREQUENCY	TARGET	ASSESSMENT METHOD
4	Advice that influences actions by government.	Extent to which the Commission's advice is accepted and implemented by successive governments. ³	Tied to dates of advice so not necessarily annual. First analysis in 2021/22.	Baseline of decisions made on our advice due 31 May 2021, with decisions released by December 2021.	Minister for Climate Change's decisions – analysed by how recommendations are received (accepted, partially accepted, no decision, declined). Analysis of the publicly stated reasons for declining advice. Analysis of the extent to which advice is represented in the policies of all political parties.
5	Advice is perceived as independent, expert, evidence-based and pragmatic.	% of stakeholders who see our advice as independent, expert, evidence-based and pragmatic. ⁴	Two-yearly, starting 2022.	Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of key stakeholders and Iwi/Māori, seeking their perceptions of our advice and processes. See also measures 8 and 16.
6		Confidence in our advice by successive governments. ⁵	Tied to dates of advice so not necessarily annual.	Baseline in 2021/22.	Formal request for review by Minister and all political party spokespeople on climate change after advice has been released.
7	Advice is perceived as independent, expert, evidence-based and pragmatic.	Reference to Commission's advice beyond its original purpose – by other government departments, local government, overseas authorities, academics, industry and civil society. ⁶	Tied to dates of advice so not necessarily annual.	Baseline in 2021/22. Decision on approach and scoping of methodology to be made by 30 June 2021.	Methodology to be defined. Could be achieved via surveys, tracking device or case studies – or a mixture of the above.
8	Iwi/Māori and stakeholders are confident their perspectives have been considered.	% of stakeholders who are confident their perspectives have been considered. ⁷	Two-yearly, starting 2022.	Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of key stakeholders and Iwi/Māori, seeking their perceptions of our advice and processes. See also measures 5 and 16.

3. Acceptance of Commission advice by other Ministers, local government etc is covered under measure 7.

4. Our advice will be delivered in 2020/21 but decisions on it not made until December 2021. Stakeholders' perceptions of the advice may be influenced by the Minister's decisions on what to accept, so the initial survey needs to occur post the decision announcements.

5. Confidence in advice can only be ascertained post the release of the advice and after a period for consideration.

6. Use of the advice beyond its original purpose can only be ascertained post the release of the advice and after a period for consideration. This measure supports measure 6 by tracking the use of our advice beyond the Minister.

7. See footnote 5 above.

OUTPUT INDICATORS

The three critical outputs for demonstrating the Commission's performance are High quality work, Partnership with Iwi/Māori and Effective engagement. The others support these three.

KPI	OUTPUT	MEASURE	FREQUENCY	TARGET	ASSESSMENT METHOD
9	High-quality work.	Advice is developed in accordance with rigorous internal standards and procedures for quality assurance.	Tied to dates of advice so not necessarily annual, starting 2020/21.	100% of advice is reviewed internally and given analytical clearance and level 2 sign off prior to publication.	Internal quality reviews checking the rigour of the work done: including feedback from internal reviewers, analyst responses to reviewer comments and senior responsible owner sign off.
10		Advice on matters specified in the CCRA or requested by the Minister is externally peer reviewed and any issues identified addressed.	Tied to dates of advice so not necessarily annual, starting 2020/21.	100% of statutory advice is externally peer reviewed, except for those cases where external peer review is deemed to be inappropriate. ⁸	External peer reviews.
11		Models and data are comprehensive and the best available.	Annual, starting 2020/21	100% of processes to review and update models are completed on a timely basis.	External peer review of models.
12	Partnership with Iwi/Māori.	Relationships with specific groups of Iwi/Māori show developing partnership and understanding. ⁹	Biennial, beginning 2021/22.	Design a case study process by 31 January 2021. Select Iwi/Māori for initial case studies and agree TOR with them by 30 June 2021.	Case studies following the development of key relationships with Iwi/Māori over time.
13	Effective engagement and consultation with stakeholders and communities.	% of Commission's engagement and consultation that meets statutory requirements and internal engagement strategies, plans and processes.	Annual.	100%.	Statutory requirements from the Act (ss5M, 5N); internal consultation and engagement strategy; specific Māori engagement strategy - tracked as part of internal sign off process.
14		Effectiveness of overall engagement and consultation, based on ratings from those involved in both processes.	Tied to dates of engagement and consultation for advice so not necessarily annual.	Tool implemented and tested by 31 March 2021. Baseline in 2020/21.	Online engagement and consultation tool.
15	Timely delivery of reports and advice	% of requested reports and advice that are delivered by the agreed date.	Tied to dates of advice so not necessarily annual.	100%.	Record of agreed dates and actual delivery dates.
16	Clear delivery of message	% of key stakeholders who believe our messages over time have been clear and consistent. ¹⁰	Two-yearly, starting 2022.	Survey to be scoped and defined in 2021/22 with implementation planned for mid-2022.	Biennial survey of key stakeholders and Iwi/Māori, seeking their perceptions of our advice and processes. See also measures 5 and 8.
17	Good process management.	% of requests for information that are responded to within the appropriate timeframe.	Annual.	100%.	Tracking of enquiries, OIAs, PQs, Privacy requests, ministerial requests for information - consolidated report (broken down for quarterly reporting to the Board).
18		Implementation of robust internal policies and systems covering finance/ procurement, HR, good employer, payroll, IT, information management, risk management.	Once only in 2020/21, to assess effectiveness of Commission's establishment.	Completed by 31 March 2021 and confirmed by 2021 audit.	Regular Board reports and external audit.

8. In some instances, external reviews may not be appropriate because of factors such as market sensitivity of the information included.

9. Case studies will take time to establish. In 2020/21, the process will be defined and agreed.

10. Our advice will be delivered in 2020/21 but decisions on it not made until December 2021. Stakeholders' perceptions of the advice may be influenced by the Minister's decisions on what to accept, so the initial survey needs to occur post the decision announcements.

Prospective financial statements for 2020/21

INTRODUCTION

These prospective financial statements have been prepared in accordance with generally accepted accounting practice for public sector public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the Commission. The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material. The information has not been audited.

These prospective financial statements have been prepared on the basis of assumptions about future events that the Commission reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated. The forecast financial statements were authorised for issue by the Board on 14 July 2020.

ASSUMPTIONS

The following assumptions have been used in preparing these prospective financial statements.

- The Commission will continue to operate in its current structure and form.
- The Commission's statutory functions will remain unchanged.
- Revenue from the Crown of \$8,535,000 will be available for the 2020/21 year.
- There will be no change in premises occupancy.
- Externally driven costs will increase by no more than the rate of inflation.
- There will be no unexpected external events (such as a natural disaster) that will require significant operating or capital expenditures to be incurred.

STATEMENT OF ACCOUNTING POLICIES

(A) REPORTING ENTITY

The Climate Change Commission (the Commission) is a Crown entity in terms of the Crown Entities Act 2004. It was established under the Climate Change Response (Zero Carbon) Amendment Act 2019 and its parent is the Crown. The Commission's principal activities are to:

1. Provide independent, expert advice to the Government on mitigating climate change and adapting to its effects; and
2. Monitor and review the Government's progress towards its emissions reduction and adaptation goals.

The Commission is a public benefit entity (PBE) for financial reporting purposes.

(B) STATEMENT OF COMPLIANCE

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). These prospective financial statements comply with PBE accounting standards, being prepared in accordance with Tier 2 PBE accounting standards, as a PBE with expenses less than \$30m.

The Commission has applied these standards in preparing these prospective financial statements and has applied all the Reduced Disclosure Requirements Concessions available at Tier 2.

(C) MEASUREMENT BASE

The prospective financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

These prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

(E) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements.

Revenue

Revenue is measured at fair value of consideration received or receivable. Revenue is derived through the provision of outputs for the Crown, services to third parties and investment income.

Revenue from the Crown

Revenue from Crown transactions is considered to be non-exchange transactions.

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation. Revenue from the Crown is recognised in the financial period to which it relates.

Other revenue

Other revenue transactions including interest revenue and provision of services are considered to be exchange transactions.

Interest

Interest revenue is recognised using the effective interest method.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Expenditure

All expenditure incurred in the provision of outputs for the Crown is recognised in the surplus or deficit when an obligation arises, using an accruals basis.

Leases

The Commission is party to operating leases as lessee. As the lessors retain substantially all the risk and rewards of ownership of the leased property, plant and equipment, the operating lease payments are recognised in the surplus or deficit only in the period in which they occur. Any lease incentive received or obligations to make good on the condition of the leased premises are recognised in the surplus or deficit over the term of the lease. At balance date, any unamortised incentive or outstanding obligation for reinstatement is recognised as a liability in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with maturities of three months or less.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: information technology assets; furniture; office equipment; and leasehold improvements.

Additions

All items of property, plant and equipment owned are recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the item of property, plant and equipment is in its final state and ready for its intended use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the surplus or deficit as expenditure when incurred.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably. Assets are capitalised if the purchase price is \$2000 or greater. Items (such as chairs) with a lower individual cost are considered to be capitalised by being aggregated into the asset class. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit. The estimated useful lives of the major asset classes are:

Information Technology Equipment	3 years
Leasehold Improvements	5 years
Office Equipment	5 years
Furniture	5 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets**Software acquisition**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Assets are capitalised if the purchase price is \$5,000 or greater.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful life of intangible assets has been estimated as follows:

Purchased software	3 years
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Impairment of property, plant and equipment and intangible assets

The Commission does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Commission is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Contributed capital
- Accumulated surplus / (deficit).

Cash flows

The prospective cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive revenue and expense.

Performance outputs

Direct costs are charged directly to outputs. Research personnel costs are allocated to outputs based on the time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases, and has determined that none of the lease arrangements are finance leases.

STATEMENT OF PROSPECTIVE COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE 2021

	ESTIMATED ACTUAL 2019/20 \$000	FORECAST 2020/21 \$000
REVENUE		
Revenue Crown	5,407	8,535
Interest income	-	-
Other revenue	-	60
Total revenue	5,407	8,595
EXPENSES		
Personnel *	1,811	5,538
Other expenses	2,181	4,407
Depreciation and amortisation expenses	15	50
Total expenses	4,007	9,995
Net surplus/(deficit) **	1,400	(1,400)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES	1,400	(1,400)

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Prospective Comprehensive Revenue and Expense.

* The increase in Personnel costs includes a full year of FTEs and temporary staff which will be used as a surge resource to complete the work programme.

** Net deficit for 2020/21 includes using the operational surplus from the 2019/20 financial year to complete the work programme.

STATEMENT OF PROSPECTIVE CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2021

	ESTIMATED ACTUAL 2019/20 \$000	FORECAST 2020/21 \$000
BALANCE AS AT 1 JULY	-	1,999
Comprehensive revenue and expenses		
Surplus/(deficit)	1,400	(1,400)
Crown funding – Capital	599	-
Total comprehensive revenue and expenses	1,999	599
BALANCE AS AT 30 JUNE	1,999	599

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Prospective Changes in Equity.

STATEMENT OF PROSPECTIVE FINANCIAL POSITION FOR THE YEAR ENDING 30 JUNE 2021

	ESTIMATED ACTUAL 2019/20 \$000	FORECAST 2020/21 \$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,333	1,201
Debtors and other receivables	-	-
Total current assets	2,333	1,201
NON-CURRENT ASSETS		
Property, plant and equipment	252	202
Intangible assets	-	-
Total non-current assets	252	202
Total assets	2,585	1,403
LIABILITIES		
CURRENT LIABILITIES		
Creditors and other payables	328	491
Employee entitlements	259	314
Total current liabilities	587	805
NON-CURRENT LIABILITIES		
Employee entitlements - non-current	-	-
Total non-current liabilities	-	-
Total liabilities	587	805
NET ASSETS	1,999	599
EQUITY		
General funds	1,999	599
TOTAL EQUITY	1,999	599

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Prospective Financial Position.

STATEMENT OF PROSPECTIVE CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2021

	ESTIMATED ACTUAL 2019/20 \$000	FORECAST 2020/21 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH WAS RECEIVED FROM		
Receipts from Crown	5,407	8,535
Receipts from other revenue	-	60
Goods and services tax net	176	172
CASH WAS APPLIED TO		
Payments to suppliers	(2,078)	(4,448)
Payments to employees	(1,504)	(5,451)
Net cash flows from operating activities	2,001	(1,132)
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH WAS APPLIED TO		
Purchase of property, plant and equipment	(267)	-
Purchase of intangible assets	-	-
Net cash flows from investing activities	(267)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	599	-
Capital withdrawal	-	-
Net cash flows from financing activities	599	-
Net (decrease)/increase in cash	2,333	(1,132)
Opening cash and cash equivalents	-	2,333
CLOSING CASH AND CASH EQUIVALENTS	2,333	1,201

The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Prospective Cash Flows.

Glossary

TERM	DEFINITION
Adaptation	Actions that can help people or natural systems adjust to the actual or expected impacts of climate change. Actions can be incremental and temporary in their effect or transformational by changing systems and their functions, depending on the scale and pace of change and what is at stake.
Biogenic methane	Methane emissions resulting from biological processes in the waste and agriculture sectors.
Climate resilience	Climate resilience is the ability to anticipate, prepare for, and respond to the impacts of changing climate, including those that we know about and can anticipate and those that occur as extreme events. This includes planning now for sea level rise and more frequent flooding. It is also about being ready to respond to extreme events like forest fires or extreme floods, and to trends in precipitation and temperature that emerge over time like droughts.
Emissions	Greenhouse gases released into the atmosphere. The Climate Change Response Act 2002 covers the following greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.
Emissions budget	The cumulative amount of greenhouse gases that can be emitted over a certain period. In the Climate Change Response Act 2002, emissions budgets are the total amount of all greenhouse gases (expressed as a net amount of carbon dioxide equivalent) that can be released over a five-year period (or four years in the case of 2022-2025).
Emissions reduction plan	A plan setting out the policies and strategies for meeting an emissions budget, as required by the Climate Change Response Act 2002.
Gross emissions	Gross emissions include total greenhouse gas emissions from agriculture, energy, industrial processes and product use (e.g. cement production, refrigeration) and waste. Greenhouse gas emissions and carbon dioxide removals due to land use, land use change and forestry (LULUCF) are excluded.
Iwi/Māori	Iwi is a term that describes an extended kinship group (i.e., descended from a common ancestor). The use of the phrase 'Iwi/Māori' acknowledges the Commission's developing relationship with Māori in general (which is a very broad term), but also with Iwi as representative bodies often mandated to speak on behalf of their members.
Mitigation	Human actions to reduce emissions by sources or enhance removals by sinks of greenhouse gases. Examples of reducing emissions by sources include walking instead of driving, or replacing a coal boiler with a renewable-powered electric one. Examples of enhancing removals by sinks include growing new trees to absorb carbon, or industrial carbon capture and storage activities.
National adaptation plan	National adaptation plans are required by the Climate Change Response Act 2002 to set out the objectives, strategies, policies and proposals for adapting to the effects of climate change.
Net emissions	Net emissions differ from gross emissions in that they also include emissions from the land use, land use change and forestry sector as well as removals of greenhouse gases from the atmosphere, such as removals of carbon dioxide from the growth of trees.

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