

Direction to Support a Whole-of-Government Approach, Given to the House of Representatives by the Minister for the Public Service and the Minister of Finance Under Section 107 of the Crown Entities Act 2004

1. The Minister for the Public Service and the Minister of Finance, pursuant to section 107 of the Crown Entities Act 2004, direct the agencies subject to this direction as follows:

- All Crown Agents (as referenced in the Crown Entities Act 2004, Schedule 1 Part 1) must give effect to all of the requirements in clause 5.

Application of Direction

2. This direction sets out requirements for agencies to implement the Carbon Neutral Government Programme (CNGP). The CNGP has been set up to accelerate emissions reductions across the public sector. It will ensure that government agencies, alongside businesses and communities, are leading the way to reduce emissions as we transition to a low-emissions, resilient economy, and ensures agencies adapt to operate in a low-emissions future. The objective is for agencies to reduce their gross emissions and to be carbon neutral by 2025.

3. Agencies are exempt from the requirements set out in clause 5 for the first financial year following their establishment, although they should factor in the requirements for their system set up and may choose to meet some or all of these requirements earlier.

Definitions

4. In this direction:

- a. **Emissions** means greenhouse gases (as defined in section 4(1) of the Climate Change Response Act 2002) emitted into the atmosphere that trap heat in the atmosphere and cause the greenhouse effect, resulting in global warming.
- b. **1.5 degree pathway** means setting individual agency targets in line with limiting the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels.
- c. **Programme Lead** means the lead agency coordinating the CNGP, currently the Ministry for the Environment.

Requirements

- 5.
 - a. The agency must measure and prepare a report on their emissions (greenhouse gas emissions inventory) from all their facilities, assets, activities and operations for each financial year from July 2022-June 2023 onwards in accordance with the criteria stated in the international standards ISO14064-1 (2018) or the Greenhouse Gas Protocol, or subsequent updates to these standards. This inventory must be verified by an independent third party organisation in accordance with ISO14064-3 (2019) or ISAE 3410¹. Emissions reported on must include all scope 1, all scope 2, and specified scope 3 emissions (see Table 1), and any additional scope 3 emissions that are material² to the agency, to the extent possible, acknowledging that developing complete inventories may take several years.

Table 1 Mandatory emissions sources for reporting - in tonnes of carbon dioxide equivalent (tCO2e)

All scope 1 emissions	All scope 2 emissions	Mandatory scope 3 emissions and material scope 3 emissions
<p>Category 1 Direct GHG emissions</p>	<p>Category 2 Indirect GHG emissions from imported energy</p>	<p>Categories 3, 4, 5 and 6 Indirect GHG emissions from transportation, products an organisation uses or supplies, or other sources</p>

<p>Examples:</p> <ul style="list-style-type: none"> • Fuel use (eg, aviation fuel, biofuel and biomass (N₂O, CH₄), coal, diesel, light and heavy fuel oil, LPG, natural gas, petrol) • Refrigerant and other gas use (eg, HVAC, medical gases) • Composting • Wastewater treatment plant (owned) • Solid waste facilities (owned) • International operations (scope 1) • Agriculture and forestry (eg, enteric fermentation, fertiliser use, forest growth, forest harvest) 	<p>Examples:</p> <ul style="list-style-type: none"> • Purchased electricity • Purchased heat or steam • International operations (scope 2) 	<p>Mandatory scope 3 emissions:</p> <ul style="list-style-type: none"> • Staff travel for work (eg, domestic and international air travel, hotel stays, taxi, private car, public transport, rental vehicles) • Freight transport • Staff working from home • Transmission and distribution losses • Water supply • Wastewater services • Waste to landfill <p>Material scope 3 emissions:</p> <ul style="list-style-type: none"> • All other scope 3 emissions material to the organisation
<p>Biogenic emissions mandatory to report but separated from scope 1</p>		
<p>Examples: Biodiesel (the CO₂ from the biofuel proportion), Bioethanol (the CO₂ from the biofuel proportion), Biomass (the CO₂)</p>		

- b. The agency must set gross emissions reduction targets for 2025 and 2030 consistent with a 1.5 degree pathway, measured against a base year set by the agency³, and based on the reduction potential within the agency. The agency must measure their progress towards their targets annually.
- c. The agency must develop and implement emissions reduction plans to help them reach their gross emissions reduction targets. These plans must be credible, meaning they must be realistic to implement, consistent with the agency's emissions reduction targets and in line with a 1.5 degree pathway.
- d. The agency must provide their latest annual emissions, reduction plans and progress towards their gross emissions reduction targets to the Programme Lead by 1 December each year, commencing in December 2023. This must cover:
- Total annual emissions (including all mandatory and material emissions scopes/sources) for the previous financial year (July-June), reported as total tonnes of carbon dioxide equivalent units (tCO₂e).
 - Emissions profile broken down by emissions source/scopes (tCO₂e).
 - Base year period and total emissions (tCO₂e).
 - The consolidation approach chosen (control or equity share).⁴
 - Full time equivalent of staff (FTE) in the reporting period (based on what is reported in the agency's annual report).
 - Total expenditure in the reporting period that most closely matches the reporting agency's organisational boundary for emissions reporting (based on what is reported in the agency's annual report).
 - Change in total emissions each subsequent year compared to the base year (tCO₂e).
 - 2025 and 2030 gross emissions reduction targets (%) - this must be a combined total across all scopes/sources, and can also be broken down by scope/source.
 - Progress towards 2025 and 2030 targets compared to base year (%).
 - Qualitative commentary on results: the agency must explain:
 - their initiatives for reducing emissions and progress towards these; and
 - the context of their emissions inventory and progress, for example, any data gaps, emissions sources excluded and why, challenges or significant changes experienced, and plans for improvement over time.
- e. The agency must include specified information in their annual report for the financial year to which it relates (from 2022/23 onwards). This must cover:

- Total annual emissions (including all mandatory and material emissions scopes/sources) for the financial year to which the annual report relates (July- June) (tCO₂e).
- Emissions profile broken down by emissions source/scopes (tCO₂e).
- 2025 and 2030 gross emissions reduction targets (%) - this must be a combined total across all scopes/sources, and can also be broken down by scope/source.
- Progress towards 2025 and 2030 targets compared to base year (%).
- Qualitative commentary on results: the agency must explain:
 - their initiatives for reducing emissions and progress towards these; and
 - the context of their emissions inventory and progress, for example, any data gaps, emissions sources excluded and why, challenges or significant changes experienced, and plans for improvement over time.

Review

6. Summarised information submitted to the Programme Lead will be collated annually by the Programme Lead, shared with Ministers and made publicly available.

7. Gross emissions reductions targets will be reviewed in 2025, 2028 and 2030 by the Programme Lead to ensure they are ambitious but achievable, and take into account actual emissions data from agencies⁵. Collective progress on meeting agencies' 2025 and 2030 targets (based on reporting from the previous financial year) will be calculated in December 2025 and 2030.

Dated at Wellington this 27th day of March 2022.

HON CHRIS HIPKINS, Minister for the Public Service.

HON GRANT ROBERTSON, Minister of Finance.

¹ Acceptable levels of assurance include reasonable or limited assurance but reasonable assurance should be obtained where practicable. Note agencies' independent provider of assurance should conduct the assurance engagement in accordance with the Assurance Engagements on Greenhouse Gas Statements (ISAE (NZ) 3410) standard or the ISO 14064-3:2019 standard, or subsequent updates to these standards.

² Material (scope 3) emissions mean other significant indirect sources that an agency is responsible for. Advice to determine the significance of an emission source is provided in the technical guidance. Note that any emissions source can be excluded if the individual emission source is "de minimis" meaning less than 1% of an agency's total inventory. The total of all sources excluded for being de minimis should not exceed 5% of the total inventory. Agencies need to disclose and justify any specifically excluded emissions sources. It is acknowledged that some emissions sources can take time to collect, and data improvements will occur over several years.

³ A base year must cover 12 consecutive months of verified data, or an average of up to three consecutive years of verified annual data. The base year agencies submit to the Programme Lead (Ministry for the Environment) and use as a foundation for their greenhouse gas emissions reduction target must be no earlier than 1 July 2015 to 30 June 2016, be representative of their typical emissions profile and be verified/assured.

⁴ Control means the organisation accounts for all greenhouse gas emissions from facilities over which it has financial or operational control. Equity share means the organisation accounts for its portion of greenhouse gas emissions from respective facilities.

⁵ Further work may be needed on the impact of non-discretionary activities on agencies' emissions and how such activity may be accounted for when setting targets.