



# Cabinet

## Minute of Decision

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### Climate Change Negotiations Mandate: Update

Portfolio                      Climate Change

On 26 August 2019, following reference from the Cabinet Environment, Energy and Climate Committee, Cabinet:

#### Background

- 1        **noted** the importance of a global response to climate change and New Zealand and Tokelau's commitment to effective multilateral action to address climate change;
- 2        **noted** that it is appropriate to update the existing climate change negotiations mandate as negotiation of the implementation guidelines for the Paris Agreement is substantively complete; new issues are emerging; and there is an opportunity to better align the mandate with the Pacific Reset;
- 3        Out of scope
- 4

#### General principles

- 5        **agreed** that New Zealand advocate for UNFCCC Parties and other entities to align their climate action with the objective of limiting temperature increase to 1.5 degrees Celsius above pre-industrial levels with limited or no overshoot;
- 6        **agreed** that New Zealand should participate actively and constructively in the international negotiations to support the credibility and robustness of the Paris Agreement and its implementation;
- 7        **agreed** that New Zealand will resist any development in implementation of the Paris Agreement that undermines either the Agreement's applicability to all countries or its principles of environmental integrity, progressive ambition, and continuous improvement in transparency;
- 8        **agreed** that New Zealand will advocate for outcomes that support the interests of Pacific island countries, to the extent possible, in ways consistent with New Zealand's national interest;

- 9 **agreed** that New Zealand will seek effective and efficient outcomes, including avoiding duplication of existing multilateral processes;
- 10 **agreed** that New Zealand will seek outcomes that are consistent with the letter and spirit of the Paris Agreement and associated decisions by Parties to the Agreement;

### Loss and damage

- 11 **agreed** that New Zealand will continue to support the work of the Warsaw International Mechanism on Loss and Damage in fulfilling its mandate to address loss and damage in developing countries and, consistent with the decision that adopted the Paris Agreement, s6(a)
- 12 **agreed** that New Zealand will continue work to respond to the threat of loss and damage, particularly in the Pacific, including through the provision of climate-related support, delivered bilaterally and through regional or multilateral mechanisms;

### Oceans

- 13 **agreed** that New Zealand will seek to ensure that action on oceans and climate change is meaningful while upholding the existing international legal frameworks governing oceans and Antarctic issues;
- 14 **agreed** that New Zealand will seek to ensure robust science underpins mitigation claims and accounting practices relating to oceans initiatives where needed to safeguard the environmental integrity of the Paris Agreement;
- 15 **agreed** that New Zealand will seek to ensure the UNFCCC takes a precautionary approach to proposals for ocean-based solutions to climate change;

### International carbon markets

- 16 **agreed** that New Zealand will seek guidelines for the use of carbon markets that promote environmental integrity through robust accounting, the avoidance of double accounting, and strong transparency (reporting and review);
- 17 **agreed** that New Zealand will advocate for accounting rules that do not recognise the use of pre-2020 units toward mitigation targets under the Paris Agreement;
- 18 **agreed** New Zealand may seek rules, modalities and procedures that restrict or require accounting for transfers of mitigation sourced from outside nationally determined contributions (NDCs);
- 19 **agreed** that New Zealand will seek share of proceeds provisions that apply to the Article 6.4 mechanism exclusively;

### The future of the Kyoto Protocol

- 20 **agreed** that New Zealand will resist potential attempts to introduce a third commitment period of the Protocol;
- 21 **agreed** that New Zealand will, where and when appropriate, seek to close or rationalise Kyoto Protocol institutions and processes that do not serve a function under the Paris Agreement;

**Nationally determined contributions**

- 22 **agreed** that New Zealand should:
- 22.1 advocate for a common 5-year timeframe for NDCs, in order to facilitate greater synchronisation of national responses to the 5-yearly global stocktake mandated under the Agreement and to maintain clear upwards pressure on ambition;
- 22.2 s9(2)(j)
- 22.3 s9(2)(j)

**Transparency**

- 23 **agreed** that New Zealand seek to maintain a robust and efficient transparency framework;
- 24 **agreed** that New Zealand will pursue scientific and technical discussion of greenhouse gas metrics by the UNFCCC after completion of the Working Group I component of the Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report;

**Facilitation of implementation and compliance**

- 25 **agreed** that New Zealand will seek to ensure the mechanisms to promote compliance are effective in facilitating greater compliance with the Paris Agreement and its implementing rules;

**Global stocktake**

- 26 **agreed** that New Zealand will seek to ensure that the global stocktake operates effectively, directs attention to the Agreement's long-term goals, and focuses on collective progress and environmental integrity in implementing the Agreement;

**Agriculture**

- 27 **agreed** that , in the Koronivia Joint Work on Agriculture, and in other relevant fora, New Zealand will encourage other countries to take mitigation action on agriculture;

**Climate finance**

- 28 **agreed** that New Zealand will seek agreement on tables for reporting climate finance that preserves New Zealand's ability to report in line with our domestic tracking and accounting practices;
- 29 **agreed** that New Zealand will advocate for as much transparency and predictability of climate finance as possible within the limitations of national systems;
- 30 **agreed** that New Zealand can join with other donor countries in any restatement of the shared commitment to delivering on the collective goal to mobilise USD 100 billion per year in climate finance until 2025 from a variety of public and private sources in the context of meaningful mitigation action and transparent implementation by developing countries;
- 31 **agreed** that New Zealand will participate in the negotiation of a new collective quantified goal on climate finance for the post-2025 period, scheduled to commence in November 2020;

- 32 **agreed** that New Zealand will advocate for any new collective quantified goal to be contributed to by all Parties in a position to do so;

### Response measures

- 33 **agreed** that New Zealand will seek to maintain a focus on economic diversification and a just transition for all countries, <sup>s6(a)</sup>
- 34 **agreed** that, where trade measures are discussed, New Zealand will seek to ensure these discussions consider how trade measures can actively support implementation of the Paris Agreement Technology mechanism;
- 35 **agreed** that New Zealand will support development of non-duplicative institutional architecture to maximise the effectiveness of the UNFCCC Technology Mechanism, focused on promoting and enhancing the development and transfer of environmentally sound technologies to developing countries;

### Human rights and gender

- 36 **agreed** that New Zealand will support calls for Parties, when taking action to address climate change, to respect, promote and consider their obligations to, amongst other things, human rights, and the rights of indigenous peoples, local communities, persons with disabilities and people in vulnerable situations, as well as on gender equality and the empowerment of women;
- 37 **agreed** that New Zealand will support actions to advance women's full, equal and meaningful participation and promote gender-responsive climate policy in implementing the Paris Agreement;

### Local communities and indigenous people

- 38 **agreed** that New Zealand will advocate for the Local Communities and Indigenous Peoples Platform (the Platform) operating to support respect for the rights and interests of indigenous peoples in international and national climate change actions, programmes and policies;
- 39 **agreed** that New Zealand will advocate for the Platform enabling indigenous peoples and local communities to exchange experience, best practice and knowledge, and build their capacity to engage in the UNFCCC;
- 40 **agreed** that New Zealand will advocate for indigenous peoples having access to the Platform regardless of their country's involvement;

### Delegations within bounds of Cabinet guidance

- 41 **authorised** the Prime Minister, Minister of Foreign Affairs, Minister of Finance and Minister for Climate Change to take together any final decisions, consistent with Cabinet's decisions, on climate-related financial support for developing countries;
- 42 **authorised** the Minister for Climate Change and, where appropriate, relevant portfolio Minister/s to take any final decisions on other issues in the negotiations, consistent with Cabinet's decisions;

**Delegations outside bounds of Cabinet guidance**

43 Out of scope

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**Next steps**

- 47 **noted** that the Minister for Climate Change may return to Cabinet for additional guidance on the negotiation mandate before the next meeting of the parties (COP 25), if warranted in light of developments in the interim,
- 48 **invited** the Minister for Climate Change to report back to Cabinet on the outcomes of COP 25.

Michael Webster  
*Secretary of the Cabinet*

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**Hard-copy distribution:**  
Minister for Climate Change



# Cabinet Economic Development Committee

## Minute of Decision

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### Agreement on Climate Change, Trade and Sustainability: Initial Negotiating Mandate

Portfolio                      Trade and Export Growth

On 27 May 2020, the Cabinet Economic Development Committee:

- 1        **noted** that in September 2019, New Zealand announced the intention to negotiate an Agreement on Climate Change, Trade and Sustainability, initially with Norway, Iceland, Costa Rica, Fiji and Switzerland;
- 2        **approved** the negotiating mandate for the negotiations, as outlined in Annex One to the paper under DEV-20-SUB-0084, that will advance New Zealand's sustainable development and climate change objectives via trade policy mechanisms and enable New Zealand officials to agree to outcomes that are consistent with key government priorities;
- 3        **noted** that this initiative supports New Zealand's early trade policy response to COVID-19;
- 4        **noted** that any issues not addressed in Annex One will be dealt with in accordance with New Zealand's existing policy settings, in consultation with relevant agencies and Ministers;
- 5        **authorised** the Prime Minister, Deputy Prime Minister, and the Ministers for Trade and Export Growth, Finance, Economic Development, Commerce and Consumer Affairs, Customs, Agriculture and Climate Change (or a group of these Ministers depending on the specific issue) to approve other proposals that do not depart significantly from the parameters outlined in Annex One;
- 6        **noted** that the costs of negotiations will be met from departmental baselines, and that Ministers will have the opportunity to consider at a later date any costs that may arise from the content of any outcomes;
- 7        **noted** that before New Zealand confirms its intention to be bound by the outcome of negotiations, final agreed texts and accompanying National Interest Analyses will be submitted to Cabinet for approval;
- 8        **noted** that Cabinet approval will be sought for New Zealand to sign and ratify the outcomes of the negotiations.

Janine Harvey  
Committee Secretary

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**Present: (see over)**

**Present:**

Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Shane Jones  
Hon Willie Jackson  
Hon James Shaw  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV



1 May 2020

➤ Minister for Trade and Export Growth For action by 7 May 2020

## Agreement on Climate Change, Trade and Sustainability: Initial negotiating mandate

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**BRIEFING** Cabinet Paper Covering

**PURPOSE** That Cabinet approve a negotiating mandate for the Agreement on Climate Change, Trade and Sustainability ("ACCTS").

### Recommended referrals

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Minister of Foreign Affairs	For information by	12 May 2020
Minister of Finance	For information by	12 May 2020
Minister of Energy and Resources	For information by	12 May 2020
Associate Minister of State for Trade and Export Growth	For information by	12 May 2020
Minister of State for Trade and Export Growth	For information by	12 May 2020
Minister for Climate Change	For information by	7 May 2020

### Timing requirements

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Complete consultation	By 10 am on 19 May 2020
In Cabinet Office	By 10 am on 21 May 2020
For Cabinet Economic Development Committee (DEV) meeting	on 27 May 2020
For Cabinet meeting	on 2 June 2020



## Contact details

NAME	ROLE	DIVISION	MOBILE PHONE
Sara Meymand	Chief Negotiator	Trade Negotiations Division	s9(2)(a)
Catherine Rissel	Senior Policy Officer	Trade Negotiations Division	

## Key points

- In September 2019, New Zealand announced the launch of the 'Agreement on Climate Change, Trade and Sustainability' ("ACCTS"). The ACCTS initiative brings together a number of trade policy actions that will support and advance climate and sustainable development objectives.
- In the intervening period, the COVID-19 pandemic has dramatically shifted the global context. New Zealand's trade and climate interests will be impacted as Governments and businesses around the world take actions, with potentially wide-reaching trade and climate implications, in response to the crisis. Against this backdrop, the ACCTS initiative takes on added significance.
- At a critical point of inflection, New Zealand will be amongst a small group of countries demonstrating leadership in increasing the alignment of trade and climate policy development. ACCTS will also help protect and progress New Zealand's enduring interests in effective rules-based markets and high global ambition on climate and environmental goals.
- New Zealand will be joined in the ACCTS negotiations by an initial cohort of Norway, Iceland, Costa Rica, Fiji and Switzerland.
- The proposed mandate covers the following key areas:
  - a) the removal of tariffs on environmental goods;
  - b) the establishment of new and binding commitments for environmental services;
  - c) the establishment of disciplines to eliminate harmful fossil fuel subsidies; and
  - d) guidelines to inform the development and implementation of voluntary eco-labelling programmes and mechanisms.
- Once initial negotiations conclude, the objective is for ACCTS to evolve into an 'open plurilateral', available for other WTO members to join if they are able to meet the obligations. It is envisaged that by beginning with this small, ambitious group of likeminded countries and then progressively expanding membership, the ACCTS will act as a pathfinder towards meaningful multilateral outcomes.

- Discussions are currently under way with the other ACCTS participants in relation to scheduling the first round of negotiations (likely to be via videoconference). COVID-19 will have a bearing on all participants' ability to engage in negotiations. Officials will continue to evaluate the situation and adapt responses according to developments and Government priorities.

Signed by

Vangelis Vitalis  
for Secretary of Foreign Affairs and Trade

#### Recommendations

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It is recommended that you:

- 1 **Note** that the enclosed Cabinet paper seeks approval for a negotiating **Yes / No** mandate for New Zealand to participate in the plurilateral negotiations towards an Agreement on Climate Change, Trade and Sustainability.
- 2 **Complete** the necessary consultation with Cabinet colleagues and sign **Yes / No** the attached Cabinet paper.
- 3 **Submit** the Cabinet paper to the Cabinet Office. **Yes / No**

Hon David Parker  
Minister for Trade and Export Growth

Chair,  
Cabinet Economic Development Committee (DEV)

**Agreement on Climate Change, Trade and Sustainability: Initial negotiating mandate**

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**Proposal**

1. That Cabinet approve a negotiating mandate for the Agreement on Climate Change, Trade and Sustainability ("ACCTS").

**Relation to Government Priorities**

2. The ACCTS initiative forms a part of the early trade policy response to COVID-19 in supporting economic reintegration and reinvigorating and refocusing New Zealand's trade relationships.
3. The initiative contributes to a number of the Government's strategic priorities, including the 'Coalition Government's Long Term Plan', in particular "an economy that is growing and working for all of us", and in the context of the Government's planning for a low emissions future.
4. In proceeding with the ACCTS initiative, close consideration and reference will be given to Treaty of Waitangi principles, the Trade for All agenda and associated principles, and the Government's wider COVID-19 economic recovery work.

**Executive summary**

5. In September 2019, New Zealand announced the launch of the 'Agreement on Climate Change, Trade and Sustainability' (ACCTS). The ACCTS initiative brings together a number of trade policy actions that will support and advance climate and sustainable development objectives. The initiative is designed to generate momentum towards eventual multilateral outcomes.
6. In the intervening period, the COVID-19 pandemic has dramatically shifted the global context. New Zealand's trade and climate interests will be impacted as Governments and businesses around the world take actions, with potentially wide-reaching trade and climate implications, in response to the crisis. Against this backdrop, the ACCTS initiative takes on added significance. At a critical point of inflection, New Zealand will be amongst a small group of countries demonstrating leadership in increasing the alignment of trade and climate policy development. ACCTS will also help protect and progress New Zealand's enduring interests in effective rules-based markets and high global ambition on climate and environmental goals.
7. New Zealand will be joined in the ACCTS negotiations by an initial cohort of Norway, Iceland, Costa Rica, Fiji and Switzerland. Once initial negotiations conclude, the objective is for the ACCTS agreement to then evolve into an 'open plurilateral'

process, available for other members of the World Trade Organisation (WTO) to join if they are able to meet the obligations.

8. This paper proposes a mandate for New Zealand to pursue a high quality and expeditious 'Agreement on Climate Change, Trade and Sustainability' with Norway, Iceland, Costa Rica, Fiji and Switzerland.
9. The following four key areas will be covered by ACCTS:
  - i. the removal of tariffs on environmental goods;
  - ii. the establishment of new and binding commitments for environmental services;
  - iii. the establishment of disciplines to eliminate harmful fossil fuel subsidies; and
  - iv. guidelines to inform the development and implementation of voluntary eco-labelling programmes and mechanisms.
10. The COVID-19 pandemic, including strict travel restrictions and the emergency response, will have a bearing on all participants' ability to engage in the negotiations. Timeframes for the negotiations and associated work programmes will be impacted. Officials will continue to evaluate the situation and adapt responses according to developments and Government priorities.

## **Background**

11. The ACCTS initiative was launched in the margins of UNGA Leaders' Week 2019 by Prime Minister Ardern, alongside Norway, Iceland, Costa Rica and Fiji. Switzerland subsequently confirmed its participation in January 2020. Joint Statements of support were also issued by ACCTS Climate and Trade Ministers. Since the launch announcement, a formal public submissions process was undertaken. A summary of the public submissions process is included on page 4 and a summary list of submitters is attached to this paper as Annex Two.
12. This paper seeks a mandate for the negotiations through to substantial conclusion. Following that, ACCTS is intended to be a "living agreement" – an architecture allowing for periodic reviews, a future negotiating agenda and the accession of new members.
13. Since the initiative was launched, the COVID-19 pandemic has dramatically shifted the global context, including with respect to trade and climate. The WTO has forecast a 13 – 32% drop in world goods trade in 2020; most services sectors will be hit even harder. Fundamental trade norms, already frayed after several years of attrition, are vulnerable and in need of reinforcement. Governments around the world have implemented trade restrictions and are rolling out economic recovery plans and extensive support measures with potentially wide-ranging and long lasting implications for world trade.
14. On climate, it is forecast that COVID-19 will push global CO<sub>2</sub> emissions down this year – but this is likely to be a temporary phenomenon. The longer-term impact of

the crisis on climate and emissions rests, to a significant degree, on how policymakers respond to the economic dimension. We know from the 2008 financial crisis that economic recovery can be emissions-intensive. There are early indications that new support measures to the fossil fuel industry are being contemplated by some governments.

15. Against this backdrop, the ACCTS initiative takes on added significance. At a critical point of inflection, New Zealand will be amongst a small group of countries championing the alignment of trade and climate policy and leading the direction of that policy development. The impetus to get these global policy settings right is heightened post-COVID-19. ACCTS will help protect and progress New Zealand's enduring interests in effective rules-based markets and high global ambition on trade and climate goals.
16. The ACCTS initiative will form a part of New Zealand's recalibration of trade policy in response to COVID-19. Alongside other 'concerted open plurilateral agreements' such as the 'Digital Economy Partnership Agreement' (DEPA), ACCTS will operate as one of the building blocks to reinforce, support and reinvigorate the international trade architecture.
17. New Zealand's overarching objectives for the agreement therefore are to:
  - create a template agreement that can act as a pathfinder for others, raising ambition in other contexts and forums, and that can be integrated into and support processes in the WTO, OECD, APEC and elsewhere;
  - build confidence in 'new economy' issues to advance and reinforce a vulnerable multilateral rules-based trading system; and
  - shape the direction of global policymaking on the contribution of trade policy to climate, environmental and sustainable development objectives at a point where there's significant risk of backtrack on this agenda.
18. As the proposed agreement will need to be compatible with WTO rules,  
s9(2)(j)

Elimination of tariffs on  
environmental goods would mean the products will become cheaper and more  
accessible in New Zealand. At the same time, tariff elimination on these products  
would s9(2)(j)

## Comment

### *Approach to mandate recommendations*

19. This paper provides background on the four main areas for negotiation and seeks approval of a mandate for New Zealand negotiators. Annex One contains proposed

negotiating mandate recommendations, and outlines a general New Zealand approach. The recommendations are based on:

- I. preliminary engagement with interested domestic stakeholders and consultation with relevant agencies;
  - II. New Zealand's long-standing positions in other forums, such as APEC, the WTO, the OECD, the UNFCCC and the Paris Agreement; and
  - III. the highest level of ambition viewed as possible within New Zealand's policy settings, and that reflect political messaging for the ACCTS initiative from all participants.
20. I propose that any issues arising that are not explicitly addressed in the attached Annex One be dealt with in accordance with New Zealand's existing policy settings and in consultation with relevant agencies and Ministers where necessary. Additions or amendments to ACCTS following the conclusion of the initial agreement will be subject to Cabinet consideration at the relevant time.

### **Consultation with New Zealanders**

21. Through the Trade for All consultations, we know that New Zealanders want trade agreements that substantively address sustainable development, environmental and climate change objectives. Additionally, a targeted call for public submissions on the proposed ACCTS initiative ran over 26 September – 6 November 2019.<sup>1</sup> A targeted panui updating Māori stakeholders and seeking their views on the proposed ACCTS initiative was also issued on 26 September 2019.
22. A total of 31 submissions were received over 26 September – 6 November 2019. During the public submission processes, strong support for ACCTS was expressed. Several submitters expressed interest in seeing ACCTS cover a broader set of issues. The future agenda and "living agreement" nature of ACCTS lends itself well to picking up issues at a later date.
23. We also note that there will be general public interest in engagement and transparency throughout the ACCTS process. Officials intend to post regular updates on progress in the negotiations on the MFAT webpage and seek the views of stakeholders throughout the process.

### **Analysis – Four key areas for negotiation**

#### Environmental Goods

24. In 2014, New Zealand, along with a number of WTO members, began pursuing an Environmental Goods Agreement (EGA)<sup>2</sup>. Examples of environmental goods identified include solar panels, wind turbine components and products used for wastewater management. After eighteen rounds, negotiations failed to conclude at the Ministerial Meeting in 2016 and remain stalled. The failure to conclude was a consequence of

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<sup>1</sup> The call for submissions was promoted through the following media channels: MFAT's website and the *Have Your Say* website; Facebook; Twitter; Neighbourly; LinkedIn; and email outreach to identified stakeholders.

<sup>2</sup> This followed earlier unsuccessful attempts during 2001–2008 under the Doha negotiations.

s6(a), s9(2)(g)(i)

Nevertheless, the EGA process generated a draft list of environmental goods.

25. s9(2)(j) I recommend that New Zealand propose an ambitious, comprehensive and high quality Environmental Goods Schedule s9(2)(j)

26. s9(2)(j)

27. s9(2)(j)

28. s9(2)(j), s9(2)(g)(i)

#### Environmental Services

29. I propose that New Zealand seek ambitious, comprehensive and high quality environmental services commitments s9(2)(j) on services where there is potential for environmental benefit or improvement. Environmental services include sewage services, refuse disposal services and nature and landscape protection services. Services sectors under consideration are s9(2)(j)

30. The intention is to maintain reservations or limitations s9(2)(j) in order to ensure regulatory policy space is maintained.

#### Fossil Fuel Subsidies

31. New Zealand is a leading advocate of fossil fuel subsidy reform and s6(a), s9(2)(g)(i) These distortive and regressive subsidies, worth over \$500 billion a year, contribute to global greenhouse gas emissions and work against international efforts to limit climate change. In recent

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s9(2)(j)

years, New Zealand's focus has been on encouraging the use of trade rules to address these subsidies.

32. This will be the most challenging issue in the negotiation. Reform is inherently difficult and sensitive, with potential short-term adverse impacts from the removal of social safety nets or increased energy prices if reform is not undertaken effectively or transition is not managed appropriately. s9(2)(j)
33. s9(2)(j)

However, there is no precedent in New Zealand's current trade agreements or any trade agreements globally for the inclusion of firm obligations to address fossil fuel subsidies. This will be world-leading and standard-setting.

34. s9(2)(g)(i), s9(2)(j)

However, any outcome that includes binding obligations on fossil fuel subsidies, as well as the establishment of architecture for disciplining fossil fuel subsidies, will be a significant contribution to our longer-term objective of achieving broader, and eventually multilateral, support for such disciplines – something with the potential to be very impactful.

Guidelines to inform the development and implementation of voluntary eco-labelling programmes and mechanisms

35. Voluntary eco-labelling schemes aim to inform consumers about the environmental credentials of products or services. In recent years there has been a proliferation of voluntary eco-labelling schemes. To some extent, this has been a positive development responding to increased consumer demand for information on the environmental credentials of products. However, there is also potential for such schemes to be used in a protectionist manner to discriminate on the basis of arbitrary or unfair criteria.
36. I propose that New Zealand seek provisions that establish a set of voluntary guidelines for eco-labelling programmes developed by private actors. The guidelines will be principles-based and s9(2)(j)

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s9(2)(j)



**Impact Analysis****Financial Implications**

37. The costs of the ACCTS negotiations will be met within MFAT's baseline funding. Any cooperation or development initiatives will be funded from baseline or subject to budget processes. The ACCTS negotiating process will be kept as resource-efficient as possible, using existing structures and remote (virtual) engagement wherever practical and appropriate.
38. s9(2)(j)

**Legislative Implications**

39. There are no legislative implications directly resulting from this paper, however the conclusion of an agreement may require legislative changes. Ministers will be updated as these become apparent.

**Regulatory Impact Statement**

40. Not required at this stage. An extended National Interest Analysis (incorporating a Regulatory Impact Analysis) will be presented to Cabinet when negotiations have concluded and the final agreed text of ACCTS is submitted for approval for signature.

**Climate Implications of Policy Assessment (CIPA)**

41. The Ministry for Environment has been consulted and confirm that CIPA requirements do not apply as the threshold for significance at this stage is not met.

**Population Implications****Human Rights**

42. There are no inconsistencies with the Human Rights Act 1993 and New Zealand Bill of Rights Act 1990.

**Gender implications**

43. No gender implications statement is required.

**Disability perspective**

44. No disability perspective statement is required.

**Consultation**

45. The following departments have been consulted in the preparation of this paper and concur with its recommendations: Department of the Prime Minister and Cabinet, Treasury, Ministry of Business, Innovation and Employment, Ministry for Primary Industries, Department of Conservation, New Zealand Customs Service, Ministry of Transport, Te Puni Kōkiri, Ministry for Culture and Heritage, Inland Revenue Department and Ministry for the Environment.

**Communications**

46. In addition to the public submission processes, the ACCTS has been promoted on social media platforms following the initial Leaders' launch of the initiative, and the releases of the ACCTS countries' Trade and Climate Change Ministers' statements.

**Proactive Release**

47. It is intended to delay the proactive release of this paper. Releasing this paper publicly prior to negotiations commencing would prejudice New Zealand's negotiating position.

**Recommendations**

48. The Minister for Trade and Export Growth recommends that the Committee:
1. Approve the negotiating mandate outlined in Annex One for the Agreement on Climate Change, Trade and Sustainability that will advance New Zealand's sustainable development and climate change objectives via trade policy mechanisms and enable New Zealand officials to agree to outcomes that are consistent with key Government priorities;
  2. Note that the initiative supports New Zealand's early trade policy response to COVID-19;
  3. Note that any issues not addressed in Annex One will be dealt with in accordance with New Zealand's existing policy settings, in consultation with relevant agencies and Ministers;
  4. Agree that the Prime Minister, Deputy Prime Minister, Ministers for/of Trade and Export Growth, Finance, Economic Development, Commerce and Consumer Affairs, Customs, Agriculture and Climate Change (or a group of these Ministers depending on the specific issue) have delegated authority to approve other proposals that do not depart significantly from the parameters outlined in Annex One;
  5. Note that the costs of negotiations will be met from departmental baselines and that Ministers will have the opportunity to consider at a later date any costs that may arise from the content of any outcomes;
  6. Note that before New Zealand confirms its intention to be bound by the outcome of negotiations, final agreed texts and accompanying National Interest Analyses will be submitted to Cabinet for approval; and
  7. Note that Cabinet approval will be sought for New Zealand to sign and ratify outcomes of the negotiations.

Hon David Parker  
Minister for Trade and Export Growth

## **Annex One: Mandate recommendations**

### **General**

1. Note that for all other issues raised in negotiations that are not covered in this Annex, New Zealand will seek an approach consistent with our existing policy settings and will consult with relevant agencies and Ministers as appropriate;
2. Note that New Zealand will seek outcomes that give effect to the relevant key principles set out in the 2001 Framework for Integrating Environment Standards and Trade Agreements; and
3. s9(2)(j)

### **Environmental Goods**

4. Seek an environmental goods outcome that includes:
  - 4.1 a comprehensive and high quality Environmental Goods Schedule s9(2)(j)
  - 4.2 s9(2)(j)
  - 4.3 an Environmental Goods Schedule that contains goods that have a clear and direct environmental benefit;
  - 4.4 s9(2)(j)
  - 4.5 s9(2)(j)
5. Explore ways to develop a future review mechanism to ensure that agreed new technologies can benefit from the same treatment extended to other identified environmental goods.

### **Environmental Services**

6. Seek an outcome on environmental services that:
  - 6.1 includes an ambitious, comprehensive and high quality environmental services component s9(2)(j)
  - 6.2 s9(2)(j)
  - 6.3 maintains reservations and limitations s9(2)(j)  
and

- 6.4 establishes a mechanism for future review of environmental services included under this Agreement to allow for new services, and services related to new technologies that benefit or improve the environment to be included.

### **Fossil Fuel Subsidies**

7. Seek an outcome on fossil fuel subsidies that:
  - 7.1 creates binding commitments and disciplines on fossil fuel subsidy spending;
  - 7.2 enhances transparency and cooperation; and
  - 7.3 establishes an architecture enabling a broad membership in the future.

### **Eco-Labeling Guidelines**

- 8 Seek an outcome on eco-labelling that:
  - 8.1 establishes a set of high quality and principles-based guidelines to inform the development and implementation of voluntary eco-labelling programmes and mechanisms;
  - 8.2 s9(2)(j)
  - 8.3 s9(2)(j)

### **Climate Change**

- 9 Agree the updated mandate for multilateral climate change negotiations [CAB-19-MIN-0430] will form a guide for these negotiations, as relevant; and
- 10 Seek cooperative provisions that support climate action and allow for the possibility to negotiate new provisions in the future as part of the 'Living Agreement' concept.

### **Cooperation**

- 11 Agree to outcomes that recognise the benefit of future cooperation on trade, climate change, environment and sustainable development-related issues, while avoiding creating onerous resourcing burdens to service this cooperation.

### **Treaty of Waitangi**

- 12 Secure a Treaty of Waitangi exception consistent with that in all New Zealand's FTAs since 2001, s9(2)(j)
- 13 The Crown will be cognisant of Treaty of Waitangi principles and Māori interests in the negotiations.

### **Legal and institutional issues**

14 s9(2)(j)

15 Seek the inclusion of appropriate general provisions, institutional provisions, review mechanisms, and s9(2)(j) exceptions; and

16 Seek the inclusion of accession and review provisions, consistent with the intention that ACCTS be a living agreement open to new membership.

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s9(2)(j)

**Annex Two: Summary list of submitters**

	<b>Number of submitters</b>
<b>Total</b>	31
<b>General Public</b>	17
<b>Industry</b>	14

<b>Date Received</b>	<b>Organisation</b>
26/9/19	Able Tech
26/9/19	NZIBF
6/11/19	Motu
23/10/19	Prospect Consulting Ltd
16/10/19	Wood Processors and Manufacturers Association of New Zealand (WPMA)
21/10/19	Zero Waste Granny website
21/10/19	Sales Analyst-ANZ
29/10/19	Arcreate
5/11/19	The New Zealand Ecolabelling Trust
5/11/19	Fonterra
6/11/19	NZIF
6/11/19	DCANZ
6/11/19	Beef + Lamb New Zealand Ltd & MIA
6/11/19	New Zealand Council of Trade Unions Te Kauae Kaimahi



# Cabinet Environment, Energy and Climate Committee

## Minute of Decision

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### International Climate Change Negotiations: New Zealand's Approach to COP24

Portfolio                      Climate Change

On 10 April 2018, the Cabinet Environment, Energy and Climate Committee:

#### Background

- 1        **noted** that international negotiations on implementation guidelines to ensure the Paris Agreement on climate change is functional are scheduled to conclude in December 2018;
- 2        **noted** that:
  - 2.1      none of the decisions sought in the submission under ENV-18-SUB-0007 limit or preclude options or decisions on New Zealand's domestic policy settings, including those that will be sought in relation to the Zero Carbon Bill and Emissions Trading Scheme (ETS) review later in 2018;
  - 2.2      the final agreed implementation guidelines for the Paris Agreement may impact on options for accounting for post-2030 Nationally Determined Contributions (NDC) and will inform New Zealand's preferences for domestic ETS settings;
- 3        **noted** that the implementation guidelines may have fiscal implications for the government, by indirectly increasing or decreasing the costs of meeting New Zealand's climate targets;

#### Approach to the Negotiations

- 4        **agreed** that New Zealand should participate actively and constructively in the international negotiations with a view to supporting a credible and robust Paris Agreement with implementation guidelines designed to ensure the environmental integrity of actions taken and reported;
- 5        **agreed** that New Zealand will resist any guidance that de jure or de facto undermines either the Agreement's applicability to all countries or its principles (of environmental integrity, progressive ambition, and continuous improvement in transparency);
- 6        **agreed** that New Zealand will advocate for outcomes that support the interests of Pacific Island countries, to the extent possible, where such outcomes are aligned with New Zealand's national interests;

**Nationally determined contributions**

- 7 **noted** that the nature and level of each Party's mitigation target is nationally defined and not legally binding, but provisions of the Paris Agreement require each Party to periodically account for its nationally determined contribution (NDC) in accordance, with reporting guidance and accounting that is transparent, accurate, complete, consistent, comparable, and avoids double counting;
- 8 **noted** that accounting guidance adopted in 2018 will be voluntary for each Party's first NDC, but it will be mandatory to apply the guidance to second and subsequent NDCs;
- 9 **agreed** that New Zealand will advocate for guidelines on information and accounting for mitigation targets that:
- 9.1 allow each Party to declare and nationally determine its approach to accounting for NDC;
  - 9.2 in addition, require each Party to demonstrate how its approach to accounting for its NDC is consistent with promoting environmental integrity, transparency, accuracy, completeness, comparability, consistency and ensuring the avoidance of double counting, as required by the Paris Agreement;
  - 9.3 create the conditions that will encourage and incentivise countries to agree and apply robust accounting methodologies to their own mitigation targets in the future; and
  - 9.4 maintain New Zealand's ability to apply its preferred accounting rules for forestry and land-use, as set out in its NDC;
- 10 **agreed** that New Zealand should advocate for:
- 10.1 a common 5-year timeframe for NDCs, in order to facilitate greater synchronisation of national responses to the global stocktake and maintain clear upwards pressure on ambition;
  - 10.2 in the event a single common timeframe does not appear achievable, agreement on restricting NDCs to either 5 or 10 years (in preference to complete national determination);
  - 10.3 a decision at COP24 recording Parties' intention to agree on a common timeframe for NDCs by 2023;

**Agriculture**

- 11 **agreed** that, in the Koronivia Joint Work on Agriculture, and in other relevant fora, New Zealand will encourage other countries to take mitigation action on agriculture, including by improving the emissions efficiency of the sector as a transition towards the effective implementation of the Paris Agreement;

**Carbon Markets**

- 12 **agreed** that New Zealand will seek guidelines for the use of carbon markets that promote environmental integrity through robust accounting (including the avoidance of double counting) and strong transparency (reporting and review);

**Adaptation**

- 13 **agreed** that New Zealand will seek guidelines that allow each Party to nationally determine the content of any adaptation communication it chooses to make and to retain a choice of channel through which that communication is made;



**Transparency**

- 14 **agreed** that New Zealand should pursue a robust and efficient transparency framework that applies equally to all Parties, with the exception of developed country reporting on the provision of support to developing countries, and that has in-built flexibility for those developing countries that need it in light of capacity constraints;

**Compliance**

- 15 **agreed** that New Zealand will seek to ensure the compliance mechanism is effective, and includes a comprehensive set of triggers for facilitative intervention, balanced by flexibility of the Committee to respond to matters in ways appropriate to the national circumstances of the Party it is dealing with, including on the measures it can apply in cases of non-compliance;

**Global Stocktake**

- 16 **agreed** that New Zealand will seek manageable operating modalities for the global stocktakes that effectively direct attention to the Agreement's long-term goals and retain a focus on collective progress and environmental integrity in implementing the Agreement;

**Climate Finance**

- 17 **agreed** that New Zealand will seek an outcome on reporting climate finance that preserves New Zealand's ability to report climate finance in line with our domestic tracking and counting practices;
- 18 **agreed** that New Zealand will advocate for as much transparency and predictability of climate finance as possible within the limitations of national systems;
- 19 **agreed** that New Zealand can join with other donor countries to restate the shared commitment to delivering on the collective goal to mobilise USD 100 billion per year in climate finance until 2025 from a variety of public and private sources in the context of meaningful mitigation action and transparent implementation by developing countries;

**Adaptation Fund**

- 20 **agreed** that New Zealand will seek an outcome that allows for the Adaptation Fund to serve the Paris Agreement exclusively (after a transition period during which it will also continue to serve the Kyoto Protocol);

**Loss and Damage**

- 21 **agreed** that New Zealand will support the work of the Warsaw International Mechanism on Loss and Damage in fulfilling its objective to address loss and damage in developing countries, but resist efforts to pursue development of compensation mechanisms;

**Response Measures**

- 22 **agreed** that New Zealand will seek to maintain a focus of discussion on economic diversification and a just transition for all countries, and avoid outcomes that hold developed countries collectively responsible for fossil fuel producers' transition to a low emissions future;

**Human Rights and Gender**

- 23 **agreed** that New Zealand will support calls for Parties, when taking action to address climate change, to respect, promote and consider their obligations on, amongst other things, human rights, and the rights of indigenous peoples, local communities, persons with disabilities and people in vulnerable situations, as well as on gender equality and the empowerment of women;

- 24 **agreed** that New Zealand will seek an outcome that encourages and facilitates the participation of women in the UNFCCC, including in leadership and decision-making roles within the process;

#### **Local Communities and Indigenous Peoples Platform**

- 25 **agreed** that New Zealand will support further operationalisation of the Local Communities and Indigenous Peoples Platform and advocate for an outcome that enables indigenous peoples and local communities to exchange experience, best practice and knowledge, builds their capacity to engage in the UNFCCC process, and encourages respect for their rights and interests in international and national actions, programmes and policies;

#### **Technology Mechanism**

- 26 **agreed** that New Zealand will support development of non-duplicative institutional architecture to maximise the effectiveness of the UNFCCC Technology Mechanism, focused on promoting and enhancing the development and transfer of environmentally sound technologies to developing countries;

#### **COP24**

- 27 **agreed** that New Zealand will participate actively in the Talanoa Dialogue and will seek to ensure it encourages all Parties to consider available opportunities to increase the ambition of their NDCs (including through full and effective implementation) without prescribing how they should do so;
- 28 **agreed** that at COP24 New Zealand will confirm its intention to develop and communicate a long-term low emissions development strategy by 2020;
- 29 **noted** that New Zealand will seek to convene an agriculture and climate change event at COP24 to demonstrate New Zealand's leadership and expertise in agriculture and climate change, and will also look to host an event on fossil fuel subsidy reform;

#### **Delegations**

##### **Within bounds of the approved mandate**

- 30 **authorised** the Prime Minister, Minister of Foreign Affairs and Minister for Climate Change to take together any final decisions, consistent with Cabinet's decisions, on climate-related financial support for developing countries;
- 31 **authorised** the Minister for Climate Change and, where appropriate, relevant portfolio Minister/s to take any final decisions on other issues in the negotiations;

##### **Outside bounds of the approved mandate**

- 32 **noted** that, should the negotiations move outside the bounds of existing Cabinet decisions, any final decisions with regards to New Zealand's international climate change position would, where possible, be considered by Cabinet;
- 33 **noted** that where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions;
- 34 **authorised**, in such situations, the Prime Minister, Minister of Foreign Affairs, Minister of Finance and the Minister for Climate Change to take together any final decision on climate-related financial support for developing countries;

- 35 **authorised**, in such situations, the Prime Minister, the Minister of Finance, the Minister for Climate Change, and relevant portfolio Minister/s, to take together any final decisions on other issues in the negotiations;

### Next steps

- 36 **noted** that the guidelines will take immediate effect for Parties to the Paris Agreement following their adoption with no separate domestic approval process required;
- 37 **noted** that a separate Cabinet paper seeking agreement on the overarching objectives for New Zealand's climate change policy is currently being developed;
- 38 **noted** that the Minister for Climate Change may return to Cabinet for additional guidance on the negotiation mandate before COP24, if warranted in light of developments in the interim, and will report back to Cabinet on the outcomes of COP24; and
- 39 **noted** that the Minister for Climate Change intends to proactively release the paper under ENV-18-SUB-0007, subject to redactions as appropriate under the Official Information Act 1982, on the website of the Ministry of Foreign Affairs and Trade.

Vivien Meek  
Committee Secretary

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#### Present:

Hon Kelvin Davis  
Hon Grant Robertson  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon David Parker (Chair)  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Damien O'Connor  
Hon Shane Jones  
Hon Meka Whaitiri  
Hon James Shaw  
Hon Eugenie Sage

#### Officials present from:

Officials Committee for the Environment, Energy and  
Climate Committee

#### Hard-copy distribution:

Minister for Climate Change



# Cabinet Environment, Energy and Climate Committee

## Summary

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### International Climate Change Negotiations: New Zealand's Approach to COP24

<b>Portfolio</b>	<b>Climate Change</b>
<b>Purpose</b>	This paper seeks approval for a new mandate for New Zealand's engagement in the United Nations (UN) climate change negotiations, including on guidelines to implement the Paris Agreement, ahead of the 30 April to 10 May 2018 negotiating session in Germany.
<b>Previous Consideration</b>	None.
<b>Summary</b>	<p>The current mandate, approved in 2015 by the previous government, predates the Paris Agreement.</p> <p>New Zealand is one of (to date) 175 Parties to have ratified the Paris Agreement. New Zealand has committed to reduce its emissions to 30 percent below 2005 levels by 2030 and announced an intention to become a net-zero emissions economy by 2050.</p> <p>Negotiations are under way to conclude technical guidelines to flesh out and operationalise the Paris Agreement. These are due to be agreed at the 24th Conference of Parties in Katowice, Poland, in December this year (COP24).</p> <p>The Minister for Climate Change (the Minister) is seeking approval for a mandate to guide New Zealand's engagement in the COP24 negotiations, comprising the following:</p> <ul style="list-style-type: none"> <li>• implementing guidelines common to all countries, developed and developing, that put parameters around their nationally determined actions;</li> <li>• elaboration of accounting principles for Parties' NDCs, including for forestry, and the use of carbon markets towards mitigation targets;</li> <li>• application of differentiated guidelines to the provision of climate finance by developed countries to support climate change action and adaptation by developing countries; and</li> <li>• accommodation of countries' national circumstances.</li> </ul> <p>The attached paper provides details on the proposed approach to the above factors in <b>paragraphs 17-35</b>.</p>

Proposed approaches to matters outside the Paris Agreement Work Programme including climate finance matters, agriculture, loss and damage from climate change, Response Measures Forum, human rights and gender, the Local Communities and Indigenous Peoples Platform and the Technology Mechanism are detailed in **paragraphs 36-45**.

Direction is also required on other COP24 activities, especially the Talanoa Dialogue on collective climate change action, the Koronivia Joint Work on agriculture, and the biennial high-level dialogue on climate finance for developing countries (**paragraphs 48-49**).

A separate paper being developed will seek Cabinet's agreement to overarching objectives for New Zealand's climate change policy.

<b>Regulatory Impact Analysis</b>	A detailed regulatory impact analysis will be undertaken if any of the guidelines adopted are implemented through primary or secondary legislation.
<b>Baseline Implications</b>	The Minister advises that there are no direct financial implications from the submission under ENV-18-SUB-0007; however the implementation guidelines may have fiscal implications for the government, by indirectly increasing or decreasing the costs of meeting our climate targets.
<b>Legislative Implications</b>	None.
<b>Timing Issues</b>	The next negotiating session will occur in Bonn, Germany, from 30 April-10 May 2018. An additional session is likely in the second half of 2018 prior to COP24. The Implementation Guidelines are expected to be adopted at COP24 in December.
<b>Announcement</b>	None indicated.
<b>Proactive Release</b>	The Minister intends to proactively release the paper under ENV-18-SUB-0007, subject to redactions as appropriate under the Official Information Act 1982, on the website of the Ministry of Foreign Affairs and Trade.
<b>Consultation</b>	Paper prepared by MFAT. MBIE (Economic Development) (Energy and Resources), Treasury, MFAT (Foreign Affairs), TPK, DPMC (Prime Minister), MoT, MfW, MPI (Agriculture) (Forestry) and MoJ (Crown-Māori Relations) were consulted. Public consultation (see <b>paragraph 61</b> of the paper under ENV-18-SUB-0007).

The Minister for Climate Change (the Minister) indicates that the Minister of Finance, the Prime Minister, the Deputy Prime Minister, the Minister of Foreign Affairs, the Minister of Housing and Urban Development, the Minister of Transport, the Minister of Energy and Resources, the Minister for the Environment, the Minister for Māori Development, the Minister of Agriculture, the Minister of Forestry, the Minister for Women, the Associate Minister of Transport, the Minister for Pacific Peoples and the Minister for Crown/Māori Relations were consulted.

The Minister also indicates that New Zealand First and the Green Party and the

Labour Party were consulted.

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## The Minister for Climate Change recommends that the Committee:

### Background

- 1 note that international negotiations on implementation guidelines to ensure the Paris Agreement on climate change is functional are scheduled to conclude in December 2018;
- 2 note that:
  - 2.1 none of the decisions sought in the submission under ENV-18-SUB-0007 limit or preclude options or decisions on New Zealand's domestic policy settings, including those that will be sought in relation to the Zero Carbon Bill and Emissions Trading Scheme (ETS) review later this year;
  - 2.2 the final agreed implementation guidelines for the Paris Agreement may impact on options for accounting for post-2030 Nationally Determined Contributions (NDC) and will inform New Zealand's preferences for domestic ETS settings;
- 3 note that the implementation guidelines may have fiscal implications for the government, by indirectly increasing or decreasing the costs of meeting New Zealand' climate targets;

### Approach to the Negotiations

- 4 agree that New Zealand should participate actively and constructively in the international negotiations with a view to supporting a credible and robust Paris Agreement with implementation guidelines designed to ensure the environmental integrity of actions taken and reported;
- 5 agree that New Zealand will resist any guidance that de jure or de facto undermines either the Agreement's applicability to all countries or its principles (of environmental integrity, progressive ambition, and continuous improvement in transparency);
- 6 agree that New Zealand will advocate for outcomes that support the interests of Pacific Island countries, to the extent possible, where such outcomes are aligned with New Zealand's national interests;

### Nationally determined contributions

- 7 note that the nature and level of each Party's mitigation target is nationally defined and not legally binding, but provisions of the Paris Agreement require each Party to periodically account for its nationally determined contribution (NDC) in accordance, with reporting guidance and accounting that is transparent, accurate, complete, consistent, comparable, and avoids double counting;
- 8 note that accounting guidance adopted in 2018 will be voluntary for each Party's first NDC, but it will be mandatory to apply the guidance to second and subsequent NDCs;
- 9 agree that New Zealand will advocate for guidelines on information and accounting for mitigation targets that:
  - 9.1 allow each Party to declare and nationally determine its approach to accounting for its nationally determined contribution;

- 9.2 in addition, require each Party to demonstrate how its approach to accounting for its NDC is consistent with promoting environmental integrity, transparency, accuracy, completeness, comparability, consistency and ensuring the avoidance of double counting, as required by the Paris Agreement;
- 9.3 create the conditions that will encourage and incentivise countries to agree and apply robust accounting methodologies to their own mitigation targets in the future; and
- 9.4 maintain New Zealand's ability to apply its preferred accounting rules for forestry and land-use, as set out in its NDC;
- 10 agree that New Zealand should advocate for:
- 10.1 a common 5-year timeframe for NDCs, in order to facilitate greater synchronisation of national responses to the global stocktake and maintain clear upwards pressure on ambition;
- 10.2 in the event a single common timeframe does not appear achievable, agreement on restricting NDCs to either 5 or 10 years (in preference to complete national determination);
- 10.3 a decision at COP24 recording Parties' intention to agree on a common timeframe for NDCs by 2023;

#### **Agriculture**

- 11 agree that, in the Koronivia Joint Work on Agriculture, and in other relevant fora, New Zealand will encourage other countries to take mitigation action on agriculture, including by improving the emissions efficiency of the sector as a transition towards the effective implementation of the Paris Agreement;

#### **Carbon Markets**

- 12 agree that New Zealand will seek guidelines for the use of carbon markets that promote environmental integrity through robust accounting (including the avoidance of double counting) and strong transparency (reporting and review);

#### **Adaptation**

- 13 agree that New Zealand will seek guidelines that allow each Party to nationally determine the content of any adaptation communication it chooses to make and to retain a choice of channel through which that communication is made;

#### **Transparency**

- 14 agree that New Zealand should pursue a robust and efficient transparency framework that applies equally to all Parties, with the exception of developed country reporting on the provision of support to developing countries, and that has in-built flexibility for those developing countries that need it in light of capacity constraints;

#### **Compliance**

- 15 agree that New Zealand will seek to ensure the compliance mechanism is effective, and includes a comprehensive set of triggers for facilitative intervention, balanced by flexibility of the Committee to respond to matters in ways appropriate to the national circumstances of the Party it is dealing with, including on the measures it can apply in cases of non-compliance;

**Global Stocktake**

- 16 agree that New Zealand will seek manageable operating modalities for the global stocktakes that effectively direct attention to the Agreement's long-term goals and retain a focus on collective progress and environmental integrity in implementing the Agreement;

**Climate Finance**

- 17 agree that New Zealand will seek an outcome on reporting climate finance that preserves New Zealand's ability to report climate finance in line with our domestic tracking and counting practices;
- 18 agree that New Zealand will advocate for as much transparency and predictability of climate finance as possible within the limitations of national systems;
- 19 agree that New Zealand can join with other donor countries to restate the shared commitment to delivering on the collective goal to mobilise USD 100 billion per year in climate finance until 2025 from a variety of public and private sources in the context of meaningful mitigation action and transparent implementation by developing countries;

**Adaptation Fund**

- 20 agree that New Zealand will seek an outcome that allows for the Adaptation Fund to serve the Paris Agreement exclusively (after a transition period during which it will also continue to serve the Kyoto Protocol);

**Loss and Damage**

- 21 agree that New Zealand will support the work of the Warsaw International Mechanism on Loss and Damage in fulfilling its objective to address loss and damage in developing countries, but resist efforts to pursue development of compensation mechanisms;

**Response Measures**

- 22 agree that New Zealand will seek to maintain a focus of discussion on economic diversification and a just transition for all countries, and avoid outcomes that hold developed countries collectively responsible for fossil fuel producers' transition to a low emissions future;

**Human Rights and Gender**

- 23 agree that New Zealand will support calls for Parties, when taking action to address climate change, to respect, promote and consider their obligations on, amongst other things, human rights, and the rights of indigenous peoples, local communities, persons with disabilities and people in vulnerable situations, as well as on gender equality and the empowerment of women;
- 24 agree that New Zealand will seek an outcome that encourages and facilitates the participation of women in the UNFCCC, including in leadership and decision-making roles within the process;

**Local Communities and Indigenous Peoples Platform**

- 25 agree that New Zealand will support further operationalisation of the Local Communities and Indigenous Peoples Platform and advocate for an outcome that enables indigenous peoples and local communities to exchange experience, best practice and knowledge, builds their capacity to engage in the UNFCCC process, and encourages respect for their rights and interests in international and national actions, programmes and policies;



**Technology Mechanism**

- 26 agree that New Zealand will support development of non-duplicative institutional architecture to maximise the effectiveness of the UNFCCC Technology Mechanism, focused on promoting and enhancing the development and transfer of environmentally sound technologies to developing countries;

**COP24**

- 27 agree that New Zealand will participate actively in the Talanoa Dialogue and will seek to ensure it encourages all Parties to consider available opportunities to increase the ambition of their NDCs (including through full and effective implementation) without prescribing how they should do so;
- 28 agree at COP24 New Zealand will confirm its intention to develop and communicate a long-term low emissions development strategy by 2020;
- 29 note that New Zealand will seek to convene an agriculture and climate change event at COP24 to demonstrate New Zealand's leadership and expertise in agriculture and climate change, and will also look to host an event on fossil fuel subsidy reform;

**Delegations****Within bounds of the approved mandate**

- 30 authorise the Prime Minister, Minister of Foreign Affairs and Minister for Climate Change to take together any final decisions, consistent with Cabinet's decisions, on climate-related financial support for developing countries;
- 31 authorise the Minister for Climate Change and, where appropriate, relevant portfolio Minister/s to take any final decisions on other issues in the negotiations;

**Outside bounds of the approved mandate**

- 32 note that, should the negotiations move outside the bounds of existing Cabinet decisions, any final decisions with regards to New Zealand's international climate change position would, where possible, be considered by Cabinet;
- 33 note that where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions;
- 34 authorise, in such situations, the Prime Minister, Minister of Foreign Affairs, Minister of Finance and the Minister for Climate Change to take together any final decision on climate-related financial support for developing countries;
- 35 authorise, in such situations, the Prime Minister, the Minister of Finance, the Minister for Climate Change, and relevant portfolio Minister/s, to take together any final decisions on other issues in the negotiations;

**Next steps**

- 36 note that the guidelines will take immediate effect for Parties to the Paris Agreement following their adoption with no separate domestic approval process required;
- 37 note that a separate Cabinet paper seeking agreement on the overarching objectives for New Zealand's climate change policy is currently being developed;

- 38 note that the Minister for Climate Change may return to Cabinet for additional guidance on the negotiation mandate before COP 24, if warranted in light of developments in the interim, and will report back to Cabinet on the outcomes of COP 24; and
- 39 note that the Minister for Climate Change intends to proactively release the paper under ENV-18-SUB-0007, subject to redactions as appropriate under the Official Information Act 1982, on the website of the Ministry of Foreign Affairs and Trade.

Vivien Meek  
Committee Secretary

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**Hard-copy distribution:**

Cabinet Environment, Energy and Climate Committee  
Minister for Pacific Peoples  
Minister for Women

Chair,  
Cabinet Environment, Energy and Climate Committee

## International climate change negotiations: New Zealand's approach to COP24

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### Proposal

**1.** A new mandate is sought for New Zealand's engagement in the United Nations (UN) climate change negotiations, including on guidelines to implement the Paris Agreement, ahead of the 30 April to 10 May 2018 negotiating session in Germany. The current mandate, approved in 2015, predates the Paris Agreement. A separate paper being developed will seek Cabinet's agreement to overarching objectives for New Zealand's climate change policy.

### Executive summary

**2.** New Zealand has clear interests in an effective global response to climate change. New Zealand needs to be actively engaged in the UN negotiations to influence the timetable and ambition of the global response, and to ensure our national interests are not compromised.

**3.** New Zealand has signalled an intention to be a global leader on climate change. Domestic action underpins our international credibility and provides the moral mandate for us to call for ambitious action by others. Our engagement in international climate change and other fora is intended to influence and advocate for issues of particular interest and relevance to New Zealand.

**4.** New Zealand is one of (to date) 175 Parties to have ratified the Paris Agreement. We have committed to reduce our emissions to 30% below 2005 levels by 2030 and announced an intention to become a net-zero emissions economy by 2050.

**5.** Negotiations are under way to conclude technical guidelines to flesh out and operationalise the Paris Agreement. These are due to be agreed at the 24<sup>th</sup> Conference of Parties in Katowice, Poland, in December this year (COP24). Through this paper I seek approval for a mandate to guide New Zealand's engagement in these negotiations.

**6.** I propose we seek decisions at COP24 that will ensure the environmental integrity of the Paris Agreement, comprising:

- a. implementing guidelines common to all countries, developed and developing, that put parameters around their nationally determined actions;
- b. elaboration of accounting principles for Parties' NDCs, including for forestry, and the use of carbon markets towards mitigation targets;
- c. application of differentiated guidelines to the provision of climate finance by developed countries to support climate change action and adaptation by developing countries; and
- d. accommodation of countries' national circumstances.

**7.** Direction is also required on other COP24 activities, especially the Talanoa Dialogue on collective climate change action, the Koronivia Joint Work on agriculture, and the biennial high-level dialogue on climate finance for developing countries.

**8.** A separate paper being developed for Cabinet consideration will seek agreement to the overarching objectives for New Zealand's climate change policy, and highlight the key upcoming decisions for Ministers. The purpose of that paper is to align climate change objectives across a range of relevant portfolios to establish a common framework and understanding of what domestic action and global leadership might mean in practice.

**9.** None of the decisions sought in this paper limit options or decisions on New Zealand's domestic policy settings, including those that will be sought in relation to the Zero Carbon Bill and Emissions Trading Scheme review later this year. However, the final agreed implementation guidelines for the Paris Agreement may impact on options for accounting for post-2030 NDCs and might inform our preferences for ETS settings. As such, the implementation guidelines may have fiscal implications for the Government, should they indirectly increase or decrease the costs of meeting our international targets.

**10.** The public was consulted on New Zealand's priorities in the UN negotiations during formulation of this paper.

## **Background**

**11.** The Paris Agreement was adopted in December 2015 and entered into force a year later. To date, 175 Parties (including New Zealand) have ratified the Agreement. The Agreement comprises high-level provisions creating obligations on Parties to be transparent about and accountable for actions to reduce emissions, and encouraging progressively more ambitious action, with financial and technical support for developing countries that need it. Each Party has also set a nationally determined contribution (NDC) to the global response to climate change, which includes its mitigation target (and, for many developing countries, their intended adaptation actions). Starting in 2020, Parties are required to communicate NDCs at 5-year intervals, although many NDCs, including New Zealand's, are set for a 10-year period.

**12.** The existing mandate for New Zealand's participation in the UN climate change negotiations predates the Paris Agreement and was agreed by the previous Government. In November 2017, I approved an extension of the existing mandate on an interim basis for New Zealand's engagement at COP23. No significant binding decisions were anticipated or taken at that meeting.

**13.** The Paris Agreement is high-level and does not contain all the detail required to be functional. Parties have agreed that the guidelines and processes to operationalise the Agreement will be adopted at COP24. A new mandate aligned with this Government's climate change objectives and with the current phase of the negotiations is required ahead of the 30 April to 10 May 2018 UN negotiating session taking place in Bonn, Germany.

#### **Comment**

**14.** Agreement on implementation guidelines for the Paris Agreement will require navigating a number of sensitive issues. The most obvious challenge will be addressing the Agreement's modification of the Framework Convention's principle of common but differentiated responsibilities and respective capabilities (CBDR-RC). Historically, CBDR-RC has been put into practice by having explicitly different expectations and rules for developed and developing countries.<sup>1</sup> For example the Kyoto Protocol was designed for application to developed countries only. Under the Paris Agreement, obligations are common but will be applied flexibly in light of Parties' "different national circumstances".

**15.** The effectiveness of the Agreement rests on Parties each contributing to the maximum extent they can. Recognition and accommodation of countries' individual circumstances is vital to enable such contributions. A reintroduction of arbitrary differentiation between groups of countries will compromise the collective response to climate change, and also the current near-universal participation in the Agreement.

s6(a)

#### **Nationally Determined Contributions**

**17.** The Agreement requires each Party to account for progress with implementation of its NDC. It contains a number of principles for accounting: environmental integrity,

<sup>1</sup> The countries falling into these categories are defined via an Annex to the Convention, with developed countries essentially being those in the OECD in 1992.

transparency, accuracy, completeness, comparability, consistency, and the avoidance of double-counting.

**18.** New Zealand has a specific interest in ensuring the accounting guidelines being negotiated preserve our ability to account for emissions and removals from forestry in ways that align with our national circumstances, while also supporting the environmental integrity of our NDC. New Zealand has combined elements of existing accounting methodologies to average out the harvest cycles, peaks and troughs for those fast growing production forests established since 1990. It is highly desirable we maintain the flexibility to ensure we can take an approach to forestry accounting that reflects our national circumstances over successive NDCs.

*Proposed approach*

Given the dynamics of the negotiations on this issue, we cannot expect detailed accounting guidance for the full spectrum of NDCs to be agreed at COP24. I propose we should advocate for accounting guidelines that support national determination of accounting approaches, but require environmental integrity through principles of transparency, accuracy, completeness, comparability, consistency and ensuring the avoidance of double counting, as required by the Paris Agreement. New Zealand should support an outcome that encourages and incentivises others to apply robust accounting methodologies to their own mitigation targets.

*Common Timeframes for NDCs*

**19.** The Paris COP was unable to reach agreement on whether NDCs should all have the same duration, and how start dates of NDCs should be synchronised. Parties have mostly communicated either 5 or 10 year contributions (New Zealand's NDC is over a period of 10 years, from 2021 to 2030). Parties are divided, with some (e.g. the EU) requiring a 10-year cycle to manage internal processes and provide long-term certainty to business, and others (e.g. vulnerable developing countries, including in the Pacific) wanting a 5-year cycle to maintain the momentum for ambitious action.

**20.** No significant national interest for a particular timeframe has been identified. Supporting the shorter timeframe would, however, help to amplify the Pacific's voice in the negotiations. 5-year NDC duration would also facilitate greater synchronisation of countries' responses to the 5-yearly global stocktakes, and help focus pressure for upward ambition. 'Consideration of common timeframes of NDCs' is part of the Agreement's Work Programme, but without a 2018 deadline. A procedural decision is thus likely at COP 24, enabling the discussions to continue next year. A final decision on common timeframes for NDCs should be made by 2023 at the latest, to inform the communication of new NDCs required in 2025.

*Proposed approach*

I propose NZ should advocate for a 5-year timeframe for NDCs, in order to facilitate greater synchronisation of national responses to the global stocktake and maintain focused pressure on ambition. In the event a single common timeframe is not achievable, we should argue for restricting the choice for NDCs to either 5 or 10 years, and a COP24 decision committing to agree on a common timeframe for NDCs by 2023.

### *Carbon markets*

**21.** While the Paris Agreement focuses on Parties reducing their own emissions, it recognises some will choose to cooperate in the implementation of their NDCs to enhance overall ambition on climate change.<sup>2</sup> This cooperation is likely to occur through linking carbon markets (such as emission trading schemes), other government-to-government arrangements, and through the centralised Paris Agreement mechanism to generate emissions reduction units.

**22.** The Agreement requires Parties to ensure their cooperation has environmental integrity and is robustly accounted for (i.e. there is no double-counting of emissions reductions). Guidance on robust accounting for transfers between Parties is now being developed. The tension underlying the negotiation of market guidelines is essentially about the degree of UNFCCC control of transfers between Parties required to ensure environmental integrity. The Agreement further acknowledges Parties may cooperate by using non-market approaches and requires a work-plan to be developed to facilitate this.

**23.** Regardless of whether or not New Zealand chooses to use these markets, we can contribute valuable experience to the work to ensure they are effective, transparent, and have environmental integrity. I am not seeking decisions at this time about whether, when, or how New Zealand should use carbon markets.

#### *Proposed approach*

I propose New Zealand seeks outcomes on markets that are practicable and emphasise environmental integrity, in particular robust accounting guidance and a strong link with the transparency regime (see paragraph 25 below).

### *Adaptation*

**24.** Adaptation action is specific to a country's particular circumstances and priorities. The Agreement requires all Parties to engage in adaptation planning processes and to implement adaptation action, with full discretion as to how this is done. Nonetheless, developing countries have sought guidance on effective communication of their adaptation efforts, to support their adaptation planning, implementation and evaluation.

#### *Proposed approach*

I propose New Zealand should seek a high-level outcome that allows Parties sufficient discretion both to nationally determine the content of any adaptation communication and, consistent with the Agreement, to decide on the form of such a communication.

## Transparency and Compliance

### *Transparency regime*

**25.** The Agreement establishes a comprehensive enhanced transparency framework applicable to all Parties, addressing reporting and review of mitigation action and the provision and receipt of climate finance. Parties must report, have their reports reviewed by independent teams of experts, and then participate in a multilateral process to monitor their individual progress. The procedures and guidelines for the operation of the framework are currently under negotiation.

**26.** Given the non-binding nature of NDCs, this framework is critical to holding Parties accountable for their actions. Accountability is essential to building and maintaining confidence that Parties are doing what they have said they would.

**27.** The Agreement's provisions for the common framework build in flexibility for developing countries that need it in light of their capacities. However, some Parties are advocating for separate ("bifurcated") rule-sets for developed and developing countries, regardless of capacity. This would undermine the framework's common structure, and thus its effectiveness.

### *Proposed approach*

I propose New Zealand supports a response to individual capacity constraints through capacity building and flexibility in implementation, but resists introduction of separate reporting, review, and multilateral assessment guidelines for developed versus developing countries. We should support a rationalised, slim-line review system, and an outcome in which multilateral consideration of Parties' progress with their NDCs is not optional, but is constructive, facilitative and respectful of sovereignty.

### *Compliance*

**28.** The Agreement establishes a committee to facilitate implementation of its provisions and to promote compliance. The operating procedures for the Committee are under negotiation, including the scope of its work, what will trigger a compliance process, and the kinds of measures it can use to encourage compliance and implementation.

**29.** This explicitly non-punitive, non-adversarial mechanism is consistent with the nationally determined, participatory approach of the Agreement. Its function is to assist countries to avoid non-compliance and be successful in implementing their obligations.



*Proposed approach*

I propose New Zealand supports a facilitative mechanism that applies to all provisions of the Agreement, includes comprehensive triggers for the Committee's intervention and allows the Committee flexibility to respond to matters in ways appropriate to the national circumstances of the Party it is dealing with.

**Ambition Cycle***Global Stocktake*

**30.** The underlying premise of the Agreement is that the aggregate impact of NDCs should set the world on a trajectory towards a balance of emissions and removals ('net zero') emissions in the second half of this century. The collective obligation is for emissions to peak as soon as possible, and then rapidly decline to net zero.

**31.** The Agreement establishes five-yearly global stocktakes, starting in 2023, to assess implementation of the Agreement (including mitigation, adaptation and finance) and collective progress towards achieving the purposes of the Agreement and its long-term goals. The Global Stocktake is an integral component of the Agreement's environmental integrity and ambition mechanism, and was agreed in Paris to provide assurance that collective ambition would increase over time.

*Proposed approach*

I propose New Zealand will seek operating modalities for the Global Stocktakes that ensure they remain manageable, effectively direct attention to the Agreement's long-term goals, and retain a focus on collective progress and environmental integrity in implementing the Agreement.

**Climate finance**

**32.** Many developing countries have a genuine need for finance to fund their implementation of the Agreement and are concerned about the clarity and predictability of finance flows. Accommodating competing interests around the provision of climate finance will be central to securing agreement on the package of outcomes at COP24.

**33.** The Paris Agreement focuses on transparency of finance flows to assuage developing country concerns about sufficiency and predictability of support received. Guidelines for accounting for financial resources provided and mobilised through public interventions are under negotiation. The Agreement also expects donors to provide indicative information, as available, on expected climate finance flows, but there are sensitivities about what (and how) such information is to be provided.

**34.** New Zealand supports the principle of predictability of development assistance (and therefore climate finance) and endeavours to report indicative finance flows at least two years out. While New Zealand can make longer high-level multi-year development assistance commitments, as it did at the Paris COP, in practice our three-year budget and appropriations cycle dictate the structure and timeframes of specific commitments. We are reviewing our reporting and messaging on climate finance to improve transparency and forecasting. We will also review how to improve our reporting and messaging about the proportion of ODA that can be considered “new and additional” after Budget 2018.

*Proposed approach*

I propose New Zealand seeks to preserve our ability to report climate finance in a way that aligns best with our domestic tracking and counting practices. We should support predictability of climate finance and advocate for as much transparency as possible within the limitations of national systems.

of finance for adaptation projects in developing countries. The Fund is more accessible, nimble and better able to finance small-scale projects than other multilateral funds – but needs to be taken beyond the Kyoto Protocol. Parties decided in 2017 that the Fund “shall serve the Paris Agreement”, subject to decisions to be taken in 2018, among other things on governance and institutional arrangements and sources of funding.

*Proposed approach*

I propose New Zealand should support the Adaptation Fund serving the Paris Agreement exclusively (after a transition period) and seek practicable financing arrangements including through proceeds from the Agreement’s centralised carbon market mechanism.

## **Matters outside the Paris Agreement Work Programme**

### *Climate finance matters*

**36.** Aside from supporting completion of the finance aspects of the Paris Agreement Work Programme, a demonstration that New Zealand is delivering on its climate finance commitments and intends to continue doing so will be important for the political goodwill necessary to conclude the final package. This messaging will need to be delivered, in particular, at the *biennial High-level Ministerial Dialogue on Climate Finance*.

**37.** The Agreement expects the provision and mobilisation of climate finance will scale up beyond previous efforts. A proposed increase to New Zealand’s ODA programme by the Minister of Foreign Affairs is under consideration as part of Budget 2018. The quantum and scope of funding for climate-related support will be clearer once Budget decisions have been taken. Work will then be needed to develop a post-2020 strategy for delivering on New Zealand’s climate finance obligations under the Agreement.

*Proposed approach*

I propose New Zealand should be prepared to join with other donor countries to restate its commitment to the collective goal, agreed at the Paris COP, to mobilise USD 100 billion per year in climate finance by 2020 (until 2025) and support the initiation of a process to agree the Paris Agreement’s post-2025 climate finance goal.

### *Agriculture*

**38.** Agriculture contributes 10 to 12 per cent of global emissions, and forecast population growth means global food demand is expected to increase by 60 per cent by 2050. The Intergovernmental Panel on Climate Change acknowledges keeping global warming below 2°C above pre-industrial levels requires agricultural emissions to level off in coming decades, and then fall below current levels before the end of the century. Limiting the global temperature rise to 1.5° Celsius would require a steeper fall; especially given global agricultural emissions are projected to increase by 20 to 30 percent by 2030.

**39.** Agriculture is relevant to a number of areas of the negotiations and a new work stream adopted in 2017 – the Koronivia Joint Work on Agriculture – as well as the Global Research Alliance on Agricultural Greenhouse Gases and other relevant initiatives, will provide opportunities for discussing how agriculture can contribute to the effective implementation of the Paris Agreement. This will support Paris Agreement implementation by providing a platform to promote our interest in encouraging emission reductions from agriculture without compromising food security. Our national economic interest (as one of the few major agricultural exporters that is accountable for its emissions from agriculture) leads us to encourage other countries to take appropriate action in agriculture, as well as to generate trade or export opportunities for New Zealand arising from an early mover advantage.

#### *Proposed approach*

I propose New Zealand should use the Koronivia Joint Work on Agriculture, and other opportunities that arise, to encourage other countries to take mitigation action on their agricultural greenhouse gas emissions.

### *Loss and Damage*

**40.** Responding to permanent loss and damage from the impacts of climate change is a priority for many developing countries, including our Pacific neighbours. In 2013 the UNFCCC established the Warsaw International Mechanism for Loss and Damage (WIM) to address loss and damage to developing countries. The Paris Agreement affirms the WIM as the permanent vehicle for this purpose and further makes clear that the Agreement cannot be used to underpin claims for compensation<sup>3</sup>. A mechanism for compensation would be legally and politically fraught: establishing a causal link with climate change,

<sup>3</sup> Paragraph 51, decision 1/CP.21 of the Conference of the Parties to the UNFCCC.

determining responsibility, and apportioning shares for compensation would be impossible.

*Proposed approach*

I propose New Zealand should support the work of the WIM, but resist both expansion of the work programme on loss and damage and efforts to pursue development of compensation mechanisms. I also propose New Zealand should continue to respond to the threat of loss and damage in the Pacific through the provision of climate-related support, delivered bilaterally and to regional organisations.

*Response Measures Forum*

**41.** Fossil fuel-based economies have repeatedly called for the burden of their transition to a low-emissions future to be shared. Parties must now determine the functions, modalities and work programme of a forum established to consider the impact of the implementation of response measures<sup>4</sup> (the Forum). The work programme, which is coalescing around themes of just transition and economic diversification, has the potential to produce informative outputs for New Zealand.

*Proposed approach*

I propose New Zealand should seek to maintain a focus on economic diversification and just transition for all countries, and avoid outcomes that hold developed countries collectively responsible for fossil fuel producers' transition to a low-emissions future.

*Human rights and Gender*

**42.** The preamble of the Paris Agreement calls for Parties, when taking action to address climate change, to respect, promote and consider their obligations on, amongst other things, human rights, and the rights of indigenous peoples, local communities, persons with disabilities and people in vulnerable situations, as well as on gender equality and the empowerment of women. To operationalise part of the preamble, a Gender Action Plan was agreed at COP23. Its goal is to support and enhance the implementation of the gender-related decisions and mandates so far adopted in the UNFCCC process through a set of specific activities to be conducted within the next two years.

*Proposed approach*

I propose New Zealand engages constructively with the UNFCCC's work on gender and seeks outcomes that encourage and facilitate the participation of women in the UNFCCC, including in leadership and decision-making roles within the process.

<sup>4</sup> Response measures are the range of actions Parties undertake to reduce their greenhouse gas emissions.

*The Local Communities and Indigenous Peoples Platform*

**43.** In 2015 the UNFCCC established a Local Communities and Indigenous Peoples' Platform (LCIPP) to facilitate the exchange of experiences of best practices on mitigation and adaptation by local communities and indigenous peoples. Parties' ambition for the LCIPP varies widely; some are keen to limit its impact due to national sovereignty sensitivities or to preserve the Party-driven intergovernmental nature of the UNFCCC, while others have sought an expansive mandate, including proposals to give local communities and indigenous peoples voting rights in the decision-making process.

**44.** In light of the relative maturity of the Crown-Maori engagement on climate change policy matters, the Pou Taiao (Natural Resources) Iwi Leaders' Group has indicated it will prioritise local climate change outcomes, but where possible support the ongoing work of the LCIPP. The Group wholeheartedly supports the establishment of the LCIPP and considers the depth of New Zealand's experience positions us well to make a constructive contribution. The LCIPP is being developed in an incremental and iterative manner and consultation will continue with all interested Māori groups to ensure New Zealand's approach best reflects indigenous interests.

*Proposed approach*

I propose New Zealand should support further operationalisation of the Local Communities and Indigenous Peoples Platform, and advocate for indigenous peoples and local communities to exchange experience, best practice and knowledge, and build their capacity to engage in the UNFCCC process. The Platform should encourage respect for indigenous peoples and local communities' rights and interests in international and national actions, programmes and policies. We should contribute lessons from New Zealand's experiences as opportunities arise.

*Technology Mechanism*

**45.** The Technology Mechanism was established in 2010 in response to developing countries' concern that finance and capacity limitations prevent them from accessing low-emissions technologies. COP24 will take decisions on the technology framework, established to provide strategic guidance to the mechanism, and on the process for periodic review of the effectiveness of the Technology Mechanism.

*Proposed approach*

I propose New Zealand supports non-duplicative institutional architecture for the Technology Mechanism that will ensure it can focus on promoting the development and transfer of environmentally sound technologies to developing countries.

**COP 24 events**

*Pre-2020 implementation*

**46.** To help successfully conclude the Paris work programme, developed countries will need to show their commitment to implementing pre-2020 obligations. Developing countries see meeting the US\$100 billion 2020 finance goal and ratification of the Doha Amendment to the Kyoto Protocol (to bring into force the Protocol's second commitment period) as key indicators of developed countries' good faith in the negotiation.

**47.** COP24 will see pre-2020 implementation raised in several contexts: The Talanoa Dialogue (see below) will consider collective efforts in the pre-2020 period; a dedicated stocktake will consider, among other things, mitigation efforts and the provision of support by Parties in the pre-2020 period; and, a biennial High-Level Dialogue on Finance will focus on progress toward the US\$100 billion goal.

*Proposed approach*

I propose New Zealand approaches the pre-2020 issues as an opportunity to reiterate our good faith in the process and point to the action being taken to enhance our mitigation and climate finance efforts.

*Talanoa Dialogue*

**48.** In Paris, Parties agreed to conduct a dialogue in 2018 to address the acknowledged 'ambition gap' between the Agreement's long-term temperature goals<sup>5</sup> and intended nationally determined contributions. As COP23 President, Fiji sought to cast the Dialogue in an inclusive, positive and neutral light, and officially named it the 'Talanoa Dialogue', drawing on the Fijian concept of story-telling. The Talanoa Dialogue will begin by collecting and collating input from Party and non-Party participants. Political engagement at COP24 will bring Ministers together to take stock of collective progress towards the long-term goals of the Paris Agreement. The outcome of the Talanoa Dialogue is expected to inform the (re)communication of NDCs (in 2020).

**49.** The Dialogue also seeks to support enhanced ambition and implementation of NDCs, including through better communication of domestic action and policy preparedness to achieve emissions reductions. Views differ on the extent to which countries' individual responses to the Dialogue's outcome can be prescribed. Vulnerable countries, including some in the Pacific, seek reassurance all Parties will respond by increasing their targets when recommunicating their NDCs in 2020, if not sooner. Others are wary of a focus only on headline numbers (given current signals that very few Parties will be in a position to increase their targets), or are simply unable to contemplate having

<sup>5</sup> Article 2(1)(a) of the Paris Agreement states that the Agreement aims to strengthen the global response to the threat of climate changes, including by, "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change".

to reprise the complex domestic processes that produced their NDC in 2015. The Government's focus on achieving New Zealand's NDC primarily through domestic action already represents enhanced ambition and our proposed zero carbon legislation will facilitate more ambitious targets in the long-term. It is important others recognise this effort.

*Proposed approach*

I propose New Zealand seeks to ensure the Talanoa Dialogue results in each Party giving active and genuine consideration to available opportunities to increase the ambition of its contribution to the Agreement, while resisting any overly narrow definition of ambition.

*Long term low emissions development strategies*

**50.** The Paris Agreement calls for Parties to communicate long-term low emissions development strategies, with Parties invited to communicate mid-century strategies by 2020. Some Parties have already communicated strategies<sup>6</sup>, with others also beginning to develop such plans. I consider New Zealand should commence work on a strategy, particularly as the Zero Carbon Bill will introduce a new 2050 emissions reduction target in legislation. To signal a clear pathway toward the target and create a stable policy environment to enable its achievement, articulating how the target will be met is a natural extension of this work-stream.

*Proposed approach*

I propose New Zealand confirms its intention to develop and communicate a long-term low emissions development strategy before 2020.

*Side events*

**51.** At COP 24, a number of events and initiatives outside the formal negotiations provide opportunities to maintain international momentum towards the Paris Agreement's goal of reducing emissions, and high profile opportunities for New Zealand to demonstrate global leadership.

*Proposed approach*

Following a successful New Zealand-hosted "precision agriculture" event at COP23, I propose New Zealand hosts a agriculture and climate change event at COP24 that demonstrates New Zealand leadership and expertise on agriculture and climate change, encourages New Zealand Agri-business to engage in climate change issues and encourages agricultural mitigation in NDCs. I also propose New Zealand hosts a fossil fuel subsidy reform event, building on our recent work in that area.

<sup>6</sup> These include Canada, Germany, Mexico, France, the Czech Republic and Benin.

**Next steps**

**52.** The next negotiating session will occur in Bonn, Germany, from 30 April - 10 May 2018. An additional session is likely in the second half of the year prior to COP24. Officials will be guided in these sessions by the mandate Cabinet agrees. The Implementation Guidelines are expected to be adopted at COP24 in December. Decisions taken by the Conference may specify start dates for specific obligations but will apply to New Zealand from the time of adoption without any subsequent domestic approval being required.

**53.** If the negotiating sessions throughout the year raise any significant policy decisions or proposed trade-offs not covered by the agreed mandate or the delegated authorities proposed below, I will return to Cabinet for further guidance.

**54.** I will report back to Cabinet following COP24.

**Decision Making**

**55.** I propose that Cabinet establish the following delegations of authority:

*Decisions made within Cabinet guidance*

**56.** Decisions on climate-related financial support for developing countries to be made jointly by the Prime Minister, Minister of Foreign Affairs and Minister for Climate Change.

**57.** Decisions on all other issues to be made by the Minister for Climate Change and, if appropriate, relevant portfolio minister/s.

*Decisions made outside of Cabinet guidance*

**58.** Decisions on climate-related financial support for developing countries to be made by Cabinet; or, if not possible e.g. because of fast-moving developments and time constraints, then by the Prime Minister, Minister of Foreign Affairs, Minister of Finance and the Minister for Climate Change.

**59.** Decisions on other issues to be made by Cabinet; or, if not possible, e.g. because of fast-moving developments and time constraints, then by the Prime Minister, the Minister of Finance, the Minister for Climate Change, and relevant portfolio minister/s.

**Consultation**

**60.** The following Departments and Agencies have been consulted in the preparation of this paper and agree with its contents: the Ministry for the Environment, the Ministry for Primary Industries, the Treasury, the Ministry of Transport, the Ministry for Business, Innovation and Employment, the Ministry for Women, Te Puni Kōkiri, the Crown Law Office, and the Department of the Prime Minister and Cabinet (PAG).



**61.** The Ministry of Foreign Affairs and Trade (MFAT) held public consultations from 14 March to 3 April on New Zealand priorities for the international negotiations. MFAT promoted the consultations via social media and direct engagement with key partners from business, agriculture, environmental NGOs, the Iwi Chairs Forum and the Federation of Māori Authorities. Key priorities from submissions included: strengthened nationally determined contributions, avoiding bifurcated targets and timeframes; efficient carbon markets characterised by a clear international carbon price and well-defined industry exemptions; the inclusion of agriculture in negotiations, with some calling for an equitable balance between reciprocity and vulnerability; and climate finance, through ODA programs and other mechanisms. Most stakeholders, including Māori leaders, strongly supported active participation in the Indigenous Peoples Platform. Suggestions from public submissions are reflected in this paper's proposals.

### **Financial implications**

**62.** This paper has no direct financial implications; however the implementation guidelines may have fiscal implications for the Government, by indirectly increasing or decreasing the costs of meeting our climate targets.

### **Human rights**

**63.** The paper does not create any inconsistencies with the Human Rights Act 1993 and New Zealand Bill of Rights Act 1990.

### **Legislative implications**

**64.** This paper has no legislative implications. Further advice will be provided if any arise.

### **Regulatory impact analysis**

**65.** A detailed regulatory impact analysis will be undertaken if any of the guidelines adopted are implemented through primary or secondary legislation.

### **Gender implications**

**66.** Climate change disproportionately affects women and exacerbates existing gender inequalities. Women play a critical role in the response to climate change, and serve as agents of mitigation and adaptation in promoting sustainable development.

**67.** The paper proposes that New Zealand engages constructively with the UNFCCC's work on gender and seeks outcomes that encourage and facilitate the participation of women, particularly in leadership and decision-making roles within the UNFCCC process. Women, especially rural women in developing countries, will directly benefit from ambitious action on climate change mitigation and adaptation. Tangible action on climate change is expected to have positive impacts for women in New Zealand and globally.

## Treaty of Waitangi

**68.** The mandate proposed in this paper is designed to elaborate on the provisions of the Paris Agreement. Māori were consulted during the negotiation of the Agreement itself, and engagement is ongoing to ensure informed decisions are taken in respect of New Zealand's approach to the negotiation of the technical implementing guidelines on matters that affect Māori interests. The adoption of technical guidelines under the UNFCCC will not foreclose the Crown's ability to engage with and protect Māori interests in developing and implementing domestic climate change policy.

## Proactive release

**69.** I intend to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982, on the website of the Ministry of Foreign Affairs and Trade.

## Recommendations

**70.** The Minister of Climate Change recommends that the Committee:

### *Background*

- 1. Note** international negotiations on implementation guidelines to ensure the Paris Agreement on climate change is functional are scheduled to conclude in December 2018;
- 2. Note** none of the decisions sought in this Cabinet paper limit or preclude options or decisions on New Zealand's domestic policy settings, including those that will be sought in relation to the Zero Carbon Bill and ETS review later this year, but that the final agreed implementation guidelines for the Paris Agreement may impact on options for accounting for post-2030 Nationally Determined Contributions and will inform our preferences for domestic ETS settings;
- 3. Note** the implementation guidelines may have fiscal implications for the Government, by indirectly increasing or decreasing the costs of meeting our climate targets;

### *Approach to the Negotiations*

- 4. Agree** New Zealand should participate actively and constructively in the international negotiations with a view to supporting a credible and robust Paris Agreement with implementation guidelines designed to ensure the environmental integrity of actions taken and reported;
- 5. Agree** New Zealand will resist any guidance that *de jure* or *de facto* undermines either the Agreement's applicability to all countries or its principles (of environmental integrity, progressive ambition, and continuous improvement in transparency);

- 6. Agree** New Zealand will advocate for outcomes that support the interests of Pacific Island countries, to the extent possible, where such outcomes are aligned with our national interests;

*Nationally determined contributions*

- 7. Note** the nature and level of each Party's mitigation target is nationally defined and not legally binding, but provisions of the Paris Agreement require each Party to periodically account for its nationally determined contribution in accordance, with reporting guidance and accounting that is transparent, accurate, complete, consistent, comparable, and avoids double counting;
- 8. Note** accounting guidance adopted in 2018 will be voluntary for each Party's first NDC, but it will be mandatory to apply the guidance to second and subsequent NDCs;
- 9. Agree** New Zealand will advocate for guidelines on information and accounting for mitigation targets that:
- a. allow each Party to declare and nationally determine its approach to accounting for its nationally determined contribution;
  - b. in addition, require each Party to demonstrate how its approach to accounting for its NDC is consistent with promoting environmental integrity, transparency, accuracy, completeness, comparability, consistency and ensuring the avoidance of double counting, as required by the Paris Agreement;
  - c. create the conditions that will encourage and incentivise countries to agree and apply robust accounting methodologies to their own mitigation targets in the future; and
  - d. maintain New Zealand's ability to apply its preferred accounting rules for forestry and land-use, as set out in its NDC;
- 10. Agree** New Zealand should advocate for:
- a. a common 5-year timeframe for NDCs, in order to facilitate greater synchronisation of national responses to the global stocktake and maintain clear upwards pressure on ambition;
  - b. in the event a single common timeframe does not appear achievable, agreement on restricting NDCs to either 5 or 10 years (in preference to complete national determination);
  - c. a decision at COP24 recording Parties' intention to agree on a common timeframe for NDCs by 2023;

*Agriculture*

- 11. Agree**, in the Koronivia Joint Work on Agriculture, and in other relevant fora, New Zealand will encourage other countries to take mitigation action on agriculture, including by improving the emissions efficiency of the sector as a transition towards the effective implementation of the Paris Agreement;

*Carbon Markets*

- 12. Agree** New Zealand will seek guidelines for the use of carbon markets that promote environmental integrity through robust accounting (including the avoidance of double counting) and strong transparency (reporting and review);

*Adaptation*

- 13. Agree** New Zealand will seek guidelines that allow each Party to nationally determine the content of any adaptation communication it chooses to make and to retain a choice of channel through which that communication is made;

*Transparency*

- 14. Agree** New Zealand should pursue a robust and efficient transparency framework that applies equally to all Parties, with the exception of developed country reporting on the provision of support to developing countries, and that has in-built flexibility for those developing countries that need it in light of capacity constraints;

*Compliance*

- 15. Agree** New Zealand will seek to ensure the compliance mechanism is effective, and includes a comprehensive set of triggers for facilitative intervention, balanced by flexibility of the Committee to respond to matters in ways appropriate to the national circumstances of the Party it is dealing with, including on the measures it can apply in cases of non-compliance;

*Global Stocktake*

- 16. Agree** New Zealand will seek manageable operating modalities for the global stocktakes that effectively direct attention to the Agreement's long-term goals and retain a focus on collective progress and environmental integrity in implementing the Agreement;

*Climate Finance*

- 17. Agree** New Zealand will seek an outcome on reporting climate finance that preserves our ability to report climate finance in line with our domestic tracking and counting practices;
- 18. Agree** New Zealand will advocate for as much transparency and predictability of climate finance as possible within the limitations of national systems;
- 19. Agree** New Zealand can join with other donor countries to restate the shared commitment to delivering on the collective goal to mobilise USD 100 billion per year in climate finance until 2025 from a variety of public and private sources in the context of meaningful mitigation action and transparent implementation by developing countries;

*Adaptation Fund*

- 20. Agree** New Zealand will seek an outcome that allows for the Adaptation Fund to serve the Paris Agreement exclusively (after a transition period during which it will also continue to serve the Kyoto Protocol);

*Loss and Damage*

**21. Agree** New Zealand will support the work of the Warsaw International Mechanism on Loss and Damage in fulfilling its objective to address loss and damage in developing countries, but resist efforts to pursue development of compensation mechanisms;

*Response Measures*

**22. Agree** New Zealand will seek to maintain a focus of discussion on economic diversification and a just transition for all countries, and avoid outcomes that hold developed countries collectively responsible for fossil fuel producers' transition to a low emissions future;

*Human Rights and Gender*

**23. Agree** New Zealand will support calls for Parties, when taking action to address climate change, to respect, promote and consider their obligations on, amongst other things, human rights, and the rights of indigenous peoples, local communities, persons with disabilities and people in vulnerable situations, as well as on gender equality and the empowerment of women;

**24. Agree** New Zealand will seek an outcome that encourages and facilitates the participation of women in the UNFCCC, including in leadership and decision-making roles within the process;

*Local Communities and Indigenous Peoples Platform*

**25. Agree** New Zealand will support further operationalisation of the Local Communities and Indigenous Peoples Platform and advocate for an outcome that enables indigenous peoples and local communities to exchange experience, best practice and knowledge, builds their capacity to engage in the UNFCCC process, and encourages respect for their rights and interests in international and national actions, programmes and policies;

*Technology Mechanism*

**26. Agree** New Zealand will support development of non-duplicative institutional architecture to maximise the effectiveness of the UNFCCC Technology Mechanism, focused on promoting and enhancing the development and transfer of environmentally sound technologies to developing countries;

*COP24*

**27. Agree** New Zealand will participate actively in the Talanoa Dialogue and will seek to ensure it encourages all Parties to consider available opportunities to increase the ambition of their NDCs (including through full and effective implementation) without prescribing how they should do so;

**28. Agree** at COP24 New Zealand will confirm its intention to develop and communicate a long-term low emissions development strategy by 2020;

**29. Note** that New Zealand will seek to convene an agriculture and climate change event at COP24 to demonstrate New Zealand's leadership and expertise in

agriculture and climate change, and will also look to host an event on fossil fuel subsidy reform;

#### *Delegations*

##### Within bounds of Cabinet guidance

**30. Authorise** the Prime Minister, Minister of Foreign Affairs and Minister for Climate Change to take together any final decisions, consistent with Cabinet's decisions, on climate-related financial support for developing countries;

**31. Authorise** the Minister for Climate Change and, where appropriate, relevant portfolio Minister/s to take any final decisions on other issues in the negotiations;

##### Outside bounds of Cabinet Guidance

**32. Note** that, should the negotiations move outside the bounds of existing Cabinet decisions, any final decisions with regards to New Zealand's international climate change position would, where possible, be considered by Cabinet;

**33. Note** that where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions;

**34. Authorise**, in such situations, the Prime Minister, Minister of Foreign Affairs, Minister of Finance and the Minister for Climate Change to take together any final decision on climate-related financial support for developing countries;

**35. Authorise**, in such situations, the Prime Minister, the Minister of Finance, the Minister for Climate Change, and relevant portfolio Minister/s, to take together any final decisions on other issues in the negotiations;

#### *Next steps*

**36. Note** that the guidelines will take immediate effect for Parties to the Paris Agreement following their adoption with no separate domestic approval process required;

**37. Note** that a separate Cabinet paper seeking agreement on the overarching objectives for New Zealand's climate change policy is currently being developed;

**38. Note** that the Minister for Climate Change may return to Cabinet for additional guidance on the negotiation mandate before COP 24, if warranted in light of developments in the interim, and will report back to Cabinet on the outcomes of COP 24; and

**39. Note** that the Minister for Climate Change intends to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982, on the website of the Ministry of Foreign Affairs and Trade.



# Cabinet

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### **Report of the Cabinet Environment, Energy and Climate Committee: Period Ended 13 April 2018**

On 24 April 2018, Cabinet made the following decisions on the work of the Cabinet Environment, Energy and Climate Committee for the period ended 13 April 2018:

Out of scope

ENV-18-MIN-0007	<b>International Climate Change Negotiations: New Zealand's Approach to COP24</b> Portfolio: Climate Change	CONFIRMED
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Out of scope

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**  
Cabinet Environment, Energy and Climate Committee



# Cabinet Environment, Energy and Climate Committee

## Minute of Decision

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### Pacific Climate Change-related Displacement and Migration: A New Zealand Action Plan

Portfolio                      Foreign Affairs

On 8 May 2018, the Cabinet Environment, Energy and Climate Committee:

- 1        **agreed** that the New Zealand government adopt early, calibrated and transparent action on climate change-related displacement and migration in the Pacific Islands region.
- 2        **agreed** that the following core values should underpin this approach:
  - 2.1      honour Pacific Island Leaders' recognition of "the importance of retaining the Pacific's social and cultural identity, and the desire of Pacific peoples to continue to live in their own countries, where possible";
  - 2.2      respect and uphold Pacific Island countries' sovereignty and the right to self-determination;
  - 2.3      encourage transparent, inclusive dialogue on Pacific climate migration domestically, regionally and internationally, advocating for Pacific priorities:
    - 2.3.1    internationally, recommend that any solution be led and owned by those countries most significantly impacted, with support from partners; and
    - 2.3.2    in the regional context, advocate for a Pacific-led response through the Pacific Islands Forum as the preeminent regional body;
- 3        **noted** that a proposal to increase New Zealand's Official Development Assistance programme was agreed as part of Budget 2018;
- 4        **agreed** that New Zealand should implement the following early actions:
  - 4.1      consider how ODA initiatives can avert and delay climate-related displacement and prepare for Pacific climate migration when making decisions on the scope and direction of climate-related assistance for the new funding triennium;
  - 4.2      facilitate a regional dialogue and explore a regional instrument on Pacific climate migration through the Pacific Islands Forum;
  - 4.3      work to strengthen international language and frameworks through multilateral action, advancing New Zealand and Pacific interests;



- 4.4 develop a strategy for New Zealand in championing the progressive development of international law to protect coastal state rights in respect of maritime zones in the face of sea-level rise; and
- 4.5 commission robust research to better understand future climate migration trends and the social and economic impacts on New Zealand and Pacific Island countries;
- 5 **directed** officials to report back on progress made in implementing these early actions as part of the update to Cabinet by the end of 2018 on New Zealand's refreshed approach to the Pacific;
- 6 **directed** officials to report annually to ENV on progress of the early actions through to 2024 and, at that point, <sup>s9(2)(f)(iv)</sup>
- 7 <sup>s9(2)(f)(iv)</sup>
- 8 <sup>s9(2)(f)(iv)</sup>

Vivien Meek  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Grant Robertson  
Hon Dr Megan Woods  
Hon David Parker (Chair)  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Iain Lees-Galloway  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Aupito William Sio  
Hon James Shaw  
Hon Eugenie Sage

**Hard-copy distribution:**

Minister of Foreign Affairs

**Officials present from:**

Officials Committee for ENV