

16-B-00701

**To: Hon Paula Bennett, Minister for Climate Change Issues**  
**Brief: Meeting with key Ministers to discuss climate change on 25 May 2016**

**Purpose**

You have called a meeting on 25 May 2016 with Ministers Joyce, Bridges, Guy, Smith, and Goodhew to get support for ratification of the Paris Agreement in 2016 and the establishment of a Climate Change Taskforce and associated working groups. This discussion is a precursor to Cabinet decisions for June 2016.

To support you with this conversation, we are providing you with three A3s:

- New Zealand climate change context (Appendix 1)
- Ratification options (Appendix 2)
- Taskforce and working group options (Appendix 3)

We have also provided you with a list of possible names of the taskforce membership, including the chair (Appendix 4).

**Key messages**

- It will become increasingly more difficult to address the gap between domestic emissions and international targets under our current settings: we need a plan for how we deal with climate change beyond 2030
- Securing a global climate change deal that locks in major emitters is a priority for New Zealand. Ratifying the Paris Agreement as soon as possible can help secure this.
- Taking a new approach presents plenty of opportunities but there will also be trade-offs. A taskforce that represents the views of business and society can help us work through the hard choices and find an acceptable way forward.

More detailed messages attached below.

**Timeframes**

Following the 25 May meeting, we propose the following timeframes:

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|-------------|---|
| 31 May      | Possibly update BGA to outline how you will progress the climate change work programme  |
| 15 June     | Cabinet Economic Growth and Infrastructure Committee (EGI) approval to ratify the Paris Agreement in 2016 underpinned by a plan of action including establishing a Climate Change Taskforce. (Paper to also report back on the second stage of NZ ETS review consultation.) |
| 20 June     | Cabinet approval to ratify the Paris Agreement in 2016 and establish a Climate Change Taskforce   |
| July/August | Climate Change Taskforce set up (possible symposium)  |

### New Zealand Climate Context A3

This sets out the current New Zealand context and possible opportunities and risks of not doing more to understand our pathway towards a low emission economy. It is intended to set the scene for further action – including setting up a taskforce and early ratification.

#### Key points on context:

- Under our current policy settings we are not on track to reduce emissions. This will leave us increasingly exposed
- The global and domestic drivers have changed: more is happening globally and public expectations domestically are increasing
- We need to start the conversation on **agriculture** and what part of our future mix of emissions it will be
- Transition will take time. The earlier we energeise business and households to act, the more resilient we will be beyond 2030.

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### **'Rationale for early ratification' A3**

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There are two options for ratifying the Paris Agreement:

- Option 1: Early ratification in 2016; or
- Option 2: Ratification in 2019

***The preferred option by officials across MfE, MFAT and MPI is to ratify the agreement before the end of 2016. MBIE has not expressed a view.***

#### **Key points on ratification**

Ratification in 2016:

- allows New Zealand to join the group of 55 countries bringing the Paris Agreement into force
- would ensure New Zealand has a seat at the table in ongoing negotiations
- allows us to influence international negotiations on matters of importance to New Zealand such as access to international carbon markets and forestry accounting
- keeps New Zealand in step with our usual company, including USA, Canada, Australia
- must be underpinned by a strong plan of action in New Zealand.

**Risks** of early ratification include:

- Ratifying the Paris Agreement before the domestic work programme has been developed could be criticised during the select committee process.

*Mitigation: Announce the domestic work programme including establishing a Climate Change Taskforce before the Parliamentary Treaty Examination Process.*

- More work is needed to check our approach to forestry is aligned with feedback received through the NZ ETS submissions and to consider any impacts on our future ability to trade units in international markets.

*Mitigation: Officials will do further work over June and July 2016 before the National Interest Analysis is presented to the House.*

#### **When do we make legislative amendments?**

Changes to the Climate Change Response Act (CCRA) are not legally necessary to ratify the Paris Agreement. We will have to amend the CCRA in 2019 after further international rules have been made and the NZ ETS review is complete.

**Recommendation:** Carry out legislative change in 2019. Legislating earlier than 2019 is not necessary and not recommended. If you want to legislate sooner, legislative amendments will still be needed again in 2019.

- Amendments before 2019 would be minimal (for example, appending the Paris Agreement to the CCRA and amending the purpose of the Act). More substantive changes couldn't happen until the international rules are clearer in 2018.
- Amending the legislation in 2016 (through a truncated select committee process) or in early 2017 (through a standard select committee process) would open up another select committee process, possibly opening up criticism that the ratification is not backed by domestic action.

### **Taskforce and working groups A3:**

The Taskforce A3 sets out choices Ministers have when establishing a Taskforce and working groups. Discussion should cover:

1. Approach to existing work programmes
2. Establishing working groups
3. Developing a plan for climate change through to 2050
4. Timing
5. Resourcing

***Recommend: Establish a taskforce to identify how New Zealand can transition to a competitive low-emissions economy (option B)***

#### **Key points on taskforce**

- A taskforce could look at the opportunities and challenges of climate change
- It would help us answer some of the hard questions on what we need to do to meet our climate change targets
- We can't make these choices through an officials' led work programme alone. We need to know what business and society are prepared to do and what trade-offs they can live with. For example:
  - reducing emissions at home vs. the transfer of wealth offshore
  - transitioning our economy early vs. delaying action.
- A taskforce could consider how New Zealand needs to become more productive and innovative while reducing greenhouse gas emissions.
- It would focus on some of the challenges and trade-offs New Zealand faces without being policy prescriptive.

#### **Discussion to cover:**

##### **1. Approach to existing work programmes**

Urgent work needs to carry on through the ETS review process so New Zealand meets its 2030 target. The focus is on:

- Forestry
- Access to international markets.
- Working with the private sector to test ideas as proposals are developed<sup>1</sup>

##### **2. Establish working groups**

Working groups could elevate thinking on areas where it makes sense for us to focus. Portfolio Ministers could chair or choose the chair of these issues to identify opportunities.

Recommend: four working groups established on:

- agriculture - Sectoral challenges and policies
- adaptation - A coordinated and durable approach to adaptation
- transport - Sectoral challenges and policies
- Innovation and technology - Supporting R&D into low emissions technologies

Agencies (MFAT, MPI, MfE, MOT) are comfortable with working groups in these areas. Working groups would need to deliver and share key information with the taskforce. A taskforce member should sit on each working group to ensure consistency. We do not recommend many more working groups than what's recommended above due to the resourcing constraints.

<sup>1</sup> With the exception of international markets which would include international negotiations.

### 3. Plan for climate change to 2050

Taskforce would produce a report to Government setting out possible ways New Zealand could transition to a low emission, competitive economy.

This could form the first chapter of the plan. Subsequent chapters could cover sectoral challenges and policies, approach to adaptation and how to support R&D into low emissions technologies.

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## **Possible questions**

### **New Zealand climate change context**

#### **Why do you think what we're doing now isn't enough?**

- It's about meeting both climate and economic goals. The longer we put off thinking about a long-term plan, the bigger the shock will be when those are brought into line. I want us to prepare better information now for when we do have to make decisions.

#### **Why do we need to do anything? Won't international buying save us again?**

- All countries are taking targets – therefore at some stage cheap emissions reductions overseas will dry up, and we'll have done nothing at home to prepare ourselves.
- International units are uncertain. There is no guarantee about the volume or price that those reductions will be delivered at.

#### **Why do we have to do something about agriculture?**

- Long term we have to address agriculture's emissions. If we don't do it, every other sector and individual faces the burden
- The sector's ready to work with us on understanding what their contribution could be, when it could be done.
- Agriculture's emissions are potentially difficult to reduce. But we're doing the sector no favours by not thinking about what and how it can do more.
- Working with the sector is the best way to ensure that we're on the same page, and to minimise risks of them misperceiving what I'm wanting to do.

#### **We have an important role to play as a food producer – we present least-cost emissions option for food production, how do we reflect that?**

- These are the types of questions we want the working group and taskforce to consider.

### **Ratification A3**

#### **Why would we want to ratify early? Shouldn't we preserve our options?**

- Ratifying early helps our international position. We've got a lot at stake in the ongoing negotiations – particularly around international carbon markets.
- It's also in line with our natural points of comparison – USA, Australia, Canada.
- It shows we're taking the Paris Agreement seriously. Making this agreement work is key for getting global action on climate change. This is the first time everyone has taken targets.

#### **Will we get flak about our domestic plan?**

- Ratifying early raises the question, what are we doing domestically? We can mitigate this by saying what our work programme seeks to achieve, how we're going to get into a position to both meet our climate targets and have a prosperous country.

### **What happens if we don't ratify early?**

- There may be a backlash that we haven't done it. It may hurt our ability to negotiate for the outcomes we need. On the other hand, criticism may be diverted from our domestic action to our international position.

### **Why can't we do meatier legislative changes in 2017 to mitigate criticisms that early ratification is window dressing?**

- There are two reasons why more detailed changes can't be made in 2016 or 2017:
  1. *NZ ETS design settings*: We need to amend the CCRA before our 2021-2030 target applies to ensure our domestic settings are aligned. It will take time for us to do this because they are complex issues and we need the right conversations with the right people.
  2. *International rules*: Detailed rules will still be negotiated on forestry accounting and international carbon markets, and these negotiations won't be finished until around 2019. This will have implications for what changes need to be included in our domestic legislation.

## **Taskforce**

### **Why is this needed?**

- It may help us answer the hard questions.
- It may give the eventual outcomes better buy-in – in the private sector and wider society.
- It shows we're taking action, and it shows we want to work with people. Climate change isn't something government alone can deal with.

### **Does this take Minister's mandate?**

- It depends on the structure of the taskforce and what their role is. The options below all keep Ministers in the driving seat. The taskforce is there to provide thinking, not make decisions.

### **How does it work with officials?**

- The taskforce shouldn't be setting the work programmes of officials. It will be working with them, using information from officials and any other working groups to fulfil its purpose.

### **Why now?**

- Our intended target to reduce emissions by 30 per cent from 2005 levels by 2030 is ambitious. The Paris Agreement requires subsequent targets to be more ambitious. We need to have these conversations about meeting both our climate and economic goals. There is a chance to start this process now, and we're getting more and more calls from the private sector and wider society that they want to be involved.

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