



## Revised Draft NDC Strategy

Date Submitted:	13 April 2023	Tracking #: BRF-3000	
Security Level	Policy and Privacy CLASSIFICATION	MfE Priority:	Urgent

	Action sought:	Response by:
Hon James SHAW, Minister of Climate Change	Approve the revised approach to the public facing NDC Strategy and provide feedback on the appended draft	Monday 17 April

Actions for Minister's Office Staff	Return the signed report to MfE.
Number of appendices and attachments #1	1. Draft NDC strategy at a glance

### Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Alexandra Hunter		
Responsible Manager	Simon Mandal-Johnson	027 288 0142	✓
Director	Hemi Smiler		

# Revised Draft NDC Strategy

## Purpose

1. On 16 March 2023 we provided you with a draft outline of a narrative-based NDC strategy (BRF-2926 refers). You provided feedback on Monday 20 March, including a discussion with officials to confirm the way forward.
2. In response to your written and oral feedback, this briefing provides you with a draft of a different style of public facing NDC strategy summary document (Appendix 1). We are seeking your confirmation of whether this revised approach to the NDC strategy meets your needs and expectations for this product.

## Analysis and advice

### *How we have responded to your feedback from 20 March*

3. At the meeting with officials, you directed us to pursue a more visual, graphical representation of the public facing NDC strategy rather than a narrative-based document, as well as a clear focus on the vision for 2050. Our revised draft at Appendix 1 reflects that direction. It is currently formatted as a slide deck, however this is an interim step to help finalise the content before the final publication format is determined.
4. The slide deck reflects key outcomes of our last discussion including:
  - a view of future NDC pathways to show how the requirement for offshore mitigation is expected to diminish in line with increasing domestic action as we approach our 2050 net zero target (Slide 5)
  - emphasising that ERP2 will be significantly more ambitious than ERP1, and is our best opportunity to deliver on the Government's priority to meet NDC1 through domestic action as much as possible (Slide 6 and 10)
  - agreement that it is not possible to determine the ultimate balance of domestic and offshore mitigation until more options have been fully developed and assessed through the ERP2 process and international climate mitigation (ICM) portfolio development (Slide 8, 9, and 10)
  - inclusion of the three tranches of portfolio purchasing from the EY report as part of the ICM work programme (Slide 10).
5. The draft strategy retains many elements included in previous versions, including an illustration of the difference between domestic emissions budgets and the NDC budget, a clear statement of the priority for domestic action, and the need for a dynamic pathway to manage decisions over time.

*The format and design of the public facing strategy will be further developed*

6. The slide deck has not yet been through the design process. We are working with MfE's design and publications team to determine how the public facing strategy is best formatted, for example to fill a smaller number of A3 pages.
7. The current slide deck is provided primarily for your feedback on its content rather than the detailed design elements and presentation. Once you have confirmed your comfort with the proposed content and basic 'look and feel' we will be able to further refine the visual presentation. In addition, some of the detail of the graphs and charts is not up to date and will be finalised once your feedback is received.
8. In preparing the slide deck we have focused on the key elements that are of most immediate and direct relevance to meeting the current NDC and shaping the direction of travel for future NDCs.
9. There is scope to bring in broader messaging around climate change into the final product, to provide a wider context for a general public audience. Elements that align with the latest IPCC AR6 summary for policymakers could be useful inclusions. For example, the arresting graphics showing the global impacts of each degree of temperature change could provide a strong visual call to greater action. Similarly, the messages of hope, i.e., that multiple, feasible and effective options are available to reduce emissions, and climate action will reduce losses and damages and provide co-benefits that improve people's health and livelihoods and enhance nature.
10. The table below steps through the slides, summarising their key points and any comments.

**Table 1**

Slide #	Key points	Comments
1	Cover page (not part of the strategy)	
2	Scene setting <ul style="list-style-type: none"> <li>• The science behind 1.5°C and net zero based on IPCC modelling</li> <li>• NDCs as contributions to the 1.5°C temperature goal of the Paris Agreement</li> <li>• NDCs on the path to net zero by 2050</li> </ul>	Sets the longer term 2050 context from the outset. Maintains central message that NDCs are the heart of the Paris Agreement and NZ is playing its part in the global effort to constrain warming to 1.5°C.
3	The NDC Context <ul style="list-style-type: none"> <li>• Paris Agreement rules and expectations</li> <li>• NZ Government priorities</li> </ul>	Messaging on the challenge of meeting an appropriately ambitious NDC, the priority for domestic action, and the need to make early progress and 'show as we go' through international reporting.

4	The guiding principles	A first cut at unpacking the overarching principles from the previous draft Cabinet paper (i.e., that the strategic imperative to meet the NDC commitment in a way that maximises New Zealand's overall interests) and to explicitly highlight the Treaty partnership.
5	The longer term outlook <ul style="list-style-type: none"> <li>Outline 2050 scenarios</li> <li>The potential for the policy mix to change over time</li> <li>More domestic action and less reliance on international cooperation by 2050</li> </ul>	Inclusion of hypothetical NDCs for 2030 – 2050 may prove contentious as these have not been set.
6	The NDC Opportunity <ul style="list-style-type: none"> <li>Outline the options of domestic action and international cooperation</li> <li>Indicative examples/opportunities for domestic action, along with contingencies and need for Big Calls</li> <li>Benefits/opportunities of international cooperation</li> </ul>	The identification of big transformative shifts and the necessary Big Calls is underway to give ERP2 a stronger and clearer strategic direction, building on ERP1. The indicative areas for increased domestic action haven't been developed or assessed by home agencies. Including these may be contentious.
7	The NDC1 target and challenge <ul style="list-style-type: none"> <li>Headline target</li> <li>Outline the 75-100 Mt gap</li> </ul>	
8	The NDC1 Policy Mix <ul style="list-style-type: none"> <li>International cooperation is needed</li> <li>The balance can change over time</li> <li>Flag consideration for distributional impacts</li> <li>Flag consideration for fiscal cost (CEFA)</li> </ul>	Decisions needed on funding arrangements for international cooperation.
9	<b><i>The strategy for NDC1</i></b> <ul style="list-style-type: none"> <li>Introduce the <i>Dynamic Pathway</i> for determining the balance of policy</li> <li>Factors considered in setting the policy mix</li> <li>High level outline of arrangements</li> </ul>	Detailed work needed to design the assessment and decision-making processes at key trigger points and to ensure oversight arrangements are fit for purpose.

10	<p><b><i>The strategy for NDC1</i></b></p> <ul style="list-style-type: none"> <li>• Diagram of the <i>Dynamic Pathway</i> including key decision points over time</li> <li>• Interplay between domestic action and international cooperation throughout the period</li> </ul>	<p>As above, detailed work needed to design assessment and decision-making processes at key trigger points and ensure oversight arrangements are fit for purpose.</p> <p>Requires drawing ERP2 process and ICM process into alignment. Key focus on populating ERP2 in 2024 and then setting next NDC in 2025.</p>
11	<p>Government's Next Steps</p> <ul style="list-style-type: none"> <li>• Outline key decisions needed for implementation</li> </ul>	<p>Summary of policy work needed.</p>

*The NDC strategy presents some risks which need to be managed in order to gain Cabinet agreement*

11. The NDC strategy presents risks and challenges that will need to be worked through to gain Cabinet agreement in the required timeframe. The key risk we anticipate is other agencies and Ministers will see the strategy as premature in advance of more detailed cross-government policy work. However, this risk can be mitigated.
12. To mitigate this risk we recommend socialising the NDC strategy at the CRMG meeting on 9 May in advance of it going to Cabinet. Increased socialisation will help improve a cross-government shared understanding and deliver increased buy-in. It may also be valuable to hold bilaterals with your Ministerial colleagues to find shared solutions to some of the more contentious elements.
13. We anticipate points of challenge around the following issues:
  - Inclusion of hypothetical NDCs out to 2050 (Slide 5). Cabinet has not agreed to or considered any future NDC pathways, beyond recognising the Paris Agreement provision for successive NDCs to represent a progression over time. Including these without a full analysis for agency and Cabinet consideration will likely be contentious.
  - Inclusion of potential 'Big Calls' (Slide 6). These calls are indicative only, intending to illustrate the bold nature of action needed in ERP2 order to operationalise Cabinet's priority to meet the NDC first and foremost through domestic mitigation. There is cross agency work underway to give ERP2 a much stronger and clearer strategic direction. This involves clarifying the scope and scale of the big energy and transport transformations already set out in ERP1 and considering possible new or reframed 'Big Calls' in other areas. However, this work has only just begun,

and some agencies have already expressed concern about the inclusion of 'Big Calls' for their sectors.

14. MFAT will likely have strong views on elements of the strategy, given public facing material on the NDC will have international relevance. Areas of high interest are likely to be the guiding principles and framing around the international cooperation element of the policy balance.
15. If you agree to take this strategy to CRMG, officials will work with agencies to increase comfort for inclusion of future NDC pathways and examples of 'Big Calls', and will work with MFAT to integrate their views and ensure the strategy is in alignment with New Zealand's international climate change engagement. We can also support you with briefings for bilaterals and/or CRMG.

*There is ongoing policy work that will be needed to enable implementation of the NDC strategy*

16. Implementing the NDC strategy will require further policy work in three main domains: firstly, development of more ambitious domestic actions through ERP2; secondly, funding arrangements for the NDC work programme, including for the purchase of offshore mitigation; and thirdly, the institutional arrangements for overseeing implementation and delivery of the NDC strategy.
17. We intend to use the NDC strategy Cabinet paper to seek agreement to progress this work.

*ERP2 development*

18. As agreed at our most recent discussion with you, the key vehicle for identifying and securing agreement on enhancing domestic action under the NDC strategy is ERP2, which will be significantly more ambitious than ERP1.
19. Developing ERP2 will be the key focus for the cross-agency emissions-related policy development resource and is the right vehicle to deliver enhanced domestic action. The NDC strategy provides an opportunity for the Government to set clear expectations that ERP2 will strive to deliver significantly more abatement than what is required to meet the domestic emissions budget for 2026-2030. Agencies will need to be directed by Ministers to identify, assess, and develop a range of new and additional actions for inclusion in ERP2 to allow New Zealand to prioritise domestic action as much as possible.
20. Recognising the Climate Change Commission's advice that greater domestic action now will carry trade-offs, the ERP2 process will need to include analysis of these trade-offs for each option to ensure action is in New Zealand's overall interest.
21. We will provide you with further advice on the ERP2 process in coming weeks in the context of the Climate Commission's draft advice being published. In the interim, using the NDC strategy Cabinet paper to secure agreement on the role of ERP2 in delivering the NDC will help agencies to prioritise development of additional domestic options. We intend to include a specific recommendation in the Cabinet paper to this effect.

### *Funding*


22. The release of the Climate Change Economic and Fiscal Assessment (CEFA) highlights the fiscal cost of meeting the NDC and the uncertainty surrounding the total cost assessment. The report emphasizes that there are several factors that impact the estimated cost of meeting the NDC which are difficult to ascertain upfront.
23. Policy work is underway to analyse the options for how New Zealand manages the costs of meeting the NDC. To date this work has been developed as part of the international cooperation on mitigation (ICM) work programme and is not yet complete.
24. We propose using the NDC strategy Cabinet paper to seek agreement to progress the necessary policy work to determine the funding arrangement for the NDC more broadly, with options to be brought back to Cabinet. This will not be included in the public facing strategy.

### *Institutional arrangements*

25. There is also a need to establish clear roles and responsibilities for oversight and governance of the NDC strategy's implementation and delivery. There will be ongoing opportunities to revisit the ambition and pace of action being taken under ERP2 and to modify the acquisition of offshore mitigation through the international cooperation portfolio accordingly. The NDC strategy proposes a two-yearly cycle of ongoing review and decision-making, based around the timetable of our regular international transparency reports on how New Zealand is progressing to meet its NDC.
26. Work is already underway to determine institutional arrangements for accessing offshore mitigation through international cooperation, however effective governance of the overall approach to the NDC is needed. This will require bringing the ERP2 monitoring processes, through the Climate Change Chief Executives Board (CE Board), and the international portfolio process into alignment. Necessary functions include:
  - maintaining an account of progress towards the NDC, including both domestic reductions and removals and the quantity of offshore mitigation accessed
  - overseeing the pipeline for development of new domestic options
  - adjusting the balance of domestic and offshore action at key decision points and as opportunities emerge, in accordance with the NDC Strategy principles.
27. The institutional arrangements need to build on and be integrated with the current net-zero framework in the Climate Change Response Act. The existing CE Board currently oversees implementation of domestic action through the emissions reduction plan, however this only accounts for about a third of the reductions contributing to NDC1. There may be value in expanding the CE Board's remit to consider the risks and opportunities associated with delivering the other two thirds of NDC1 and to coordinate implementation, monitoring and joined up advice from officials. This could require expanding the Board's membership to include MFAT, however this possibility will need to be worked through in consultation with the CE Board secretariat.

28. In addition to enhancing existing oversight arrangements, there is likely a need for more specific new functions to be stood up. For example, a dedicated function to develop notional NDC accounting and monitoring tools to keep track of progress and inform trigger point decision-making. This would likely need to be more focused, ongoing and regular than the current process for preparing CEFA reports and could therefore contribute the NDC element directly to future CEFA.

29. 9(2)(f)(iv)



30. We propose using the NDC strategy Cabinet paper to seek agreement that further policy work is needed to strengthen the institutional arrangements for the NDC, and to secure agreement to progress the necessary policy work to determine these. This work will also need to align with analysis and decisions around the funding arrangements. Details of this work will not be included in the public facing strategy.

*We are ready to draft an accompanying Cabinet paper*

31. Once you have confirmed your comfort with our approach to the NDC strategy, we will draft the accompanying Cabinet paper. The Cabinet paper's content is dependent on your feedback on the draft strategy, however we propose that it includes the following core elements:

- A brief overview of the NDC1 challenge, including the difference in ambition between domestic emissions budgets and NDC1.
- An overview of the NDC strategy in accordance with the attached slide deck, in particular the NDC strategy principles and rationale for using both domestic and international mitigation to meet NDC1.
- An indicative pathway for future NDCs including how the requirement for offshore mitigation should diminish as we approach our 2050 net zero target.
- A view of the bold nature of action needed in ERP2 to operationalise Cabinet's priority to meet the NDC as much as possible through domestic mitigation.
- A dynamic pathway for managing NDC1, aligning with ERP development and UNFCCC reporting processes and including key decision points when the balance of domestic and offshore mitigation should be re-assessed.

32. In addition, we propose that the Cabinet paper seek agreement that:

- the NDC strategy document will be published publicly, in July, with final editorial and design choices being delegated to the Minister of Climate Change



- determined implementation of ERP1 in the immediate term is crucial for making progress towards our NDC, and urgent corrective action is needed where ERP1 actions are not on track
- development of ERP2 should include a process to identify, develop, and assess significant new proposals capable of delivering emissions reductions well in excess of the second emissions budget to further contribute to the NDC
- decisions on the precise balance of domestic and offshore mitigation should be made only once 'Big Call' domestic options have been fully developed and assessed through the ERP2 process, to ensure those decisions are made with complete information and in accordance with the principles outlined in the NDC strategy
- decisions are needed upfront on the development of the portfolio of offshore mitigation to enable our ability to draw from it as needed
- policy work should be progressed to determine funding and institutional arrangements for the NDC work programme.

33. As noted, the precise content of the Cabinet paper will be further developed and will shift in response to your feedback to this draft strategy.

## Next steps

34. Following your feedback, we will refine the NDC strategy and draft the accompanying Cabinet paper. The table below sets out a proposed timeline for these products, updating the previously agreed timeline to build in time for a CRMG discussion and further agency consultation. We consider that this socialisation will be key to the strategy's success.

35. We note that the timelines are tight and any delays in securing agreement at any stage will require us to revisit the overall approach. If you agree to the updated timeline, we will work with your office and the Cabinet office to lock in these DEV and Cabinet dates.

Date	Step
Thursday 13 April	Updated NDC strategy to Minister
Monday 17 April	Receive feedback from Minister
24 – 28 April	Revised NDC strategy and Cabinet paper to agencies for feedback
Tuesday 2 May	Updated strategy and Cabinet paper to Minister for approval to begin Ministerial consultation and circulate to CRMG Ministers
Wednesday 3 May	Receive final feedback/approval from Minister ahead of CRMG
Thursday 4 May	Final papers for CRMG due

5 – 19 May	Ministerial consultation
Tuesday 9 May	CRMG discussion
22 – 23 May	Team actions Ministerial feedback
Wednesday 24 May	Final draft to Minister seeking approval to lodge
Thursday 25 May	Lodge
Wednesday 31 May	DEV
Tuesday 6 June	Cabinet
Early July	Publish NDC Strategy

## Recommendations

We recommend that you:

- a. **Approve** the revised approach to the public facing NDC Strategy (Appendix 1, noting the final format will be determined once the content is finalised)  
Yes/No
- b. **Provide** any feedback on the content of the slide deck  
Yes/No
- c. **Agree** to the indicative proposed content for the accompanying Cabinet paper  
Yes/No
- d. **Agree** to the proposed timeline for seeking Cabinet decisions and publishing the Strategy  
Yes/No

## Signature

Hemi Smiler Director <b>Climate Mitigation and Strategy</b>	
---	---

Hon James SHAW, Minister of Climate Change	
[Date field]	

## **Appendix 1: Draft NDC strategy at a glance**

Final version of this appendix provided in Document 6