



## Draft NDC strategy Cabinet paper

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| Date Submitted: | 28 April 2023                        | Tracking #: BRF-3159 |        |
| Security Level  | Policy and Privacy<br>CLASSIFICATION | MfE Priority:        | Urgent |

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|  | Action sought:   | Response by: |
| Hon James SHAW, Minister of Climate Change | <b>Provide feedback on the draft NDC strategy Cabinet paper ahead of CRMG discussion</b><br><br><b>Agree to commence Ministerial consultation once your feedback has been incorporated</b> | 1 May        |

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| Actions for Minister's Office Staff        | Return the signed report to MfE.   |
| Number of appendices and attachments<br>#3 | <ol style="list-style-type: none"><li>1. Draft NDC strategy Cabinet paper</li><li>2. Agency feedback on the draft Cabinet paper and NDC strategy at a glance</li><li>3. NDC strategy at a glance</li></ol> |

### Key contacts

| Position            | Name                 | Cell phone   | 1st contact |
|---------------------|----------------------|--------------|-------------|
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| Director            | Hemi Smiler          |              |             |

# NDC Strategy and Cabinet Paper for CRMG

## Purpose

1. This briefing provides you with a draft NDC strategy Cabinet paper (Appendix 1) to support seeking agreement to publish the public facing 'NDC strategy at a glance'. We have tested this draft Cabinet paper with officials and provide a summary of their feedback, including how this has been addressed (Appendix 2).
2. We are seeking your feedback on the draft Cabinet paper prior to commencing Ministerial consultation.
3. On 13 April we provided you with a draft version of the 'NDC strategy at a glance', in the form of a slide deck. On 17 April you approved the revised approach [BRF-3000 refers]. For your reference, the 'NDC strategy at a glance' slide deck is appended to this briefing (Appendix 3). One change has been made to address your feedback on slide 11.

## Analysis and advice

### *The draft Cabinet paper provides the context for the NDC strategy*

4. The draft Cabinet paper at Appendix 1 provides the context for the NDC strategy and details how it will work in practice. It includes:
  - a. background on the Paris Agreement requirements for NDCs, New Zealand's commitment, and the gap between emissions budgets and New Zealand's NDC1
  - b. how we will prioritise domestic action to meet NDC1 through determined implementation of ERP1 and enhanced action through ERP2 to exceed the second emissions budget
  - c. the need for international cooperation to meet NDC1 even with maximised domestic action
  - d. how the need for international cooperation could decrease over time if domestic action brings us more in line with the Climate Change Commission's 'Tailwinds Scenario'
  - e. a 'Dynamic Pathway' for assessing the appropriate mix of domestic and offshore mitigation over time, including:
    - i. the two-yearly monitoring and reporting cycles which provide critical decision points where adjustments may be made
    - ii. the principles that will be applied to decision-making at critical decision points

- iii. the three tranches for accessing international cooperation.
- f. a view of further policy work needed to determine funding and institutional arrangements for implementation of the NDC strategy.

*We have incorporated agency feedback into the Cabinet paper*

- 5. The draft Cabinet paper has been provided to agencies for feedback. A summary of agency feedback is attached at Appendix 2.
- 6. Agency feedback was comprehensive and largely indicated comfort with the approach. Three key concerns were consistent across the input received. These include: (a) the focus on delivering additional domestic action that *exceeds* the second emissions budget (EB2), (b) the use of ERP2 as the main vehicle to deliver additional domestic abatement, and (c) illustrating the pathway to 2050 using future NDCs.
- 7. We are flagging these concerns so that you are aware of the positions held by other agencies and can consider how best to respond. These are identified in Appendix 2 as ‘for decision’.

*Delivering additional domestic action that exceeds the second emissions budget*

- 8. Agencies expressed reservations to messaging around delivering domestic emissions reductions that exceed the second emissions budget. Agencies view emissions budgets as the extent of New Zealand’s domestic ambition and see a risk in going beyond these. There is also a desire to first assess the implications of enhanced action before signalling additional domestic action. These include concerns around the limits of technological feasibility and economic viability in attempting to deliver domestic action beyond EB2.
- 9. Ministry for the Environment officials have not accepted this feedback as delivering emissions reductions in excess of emissions budgets gives effect to Cabinet’s stated priority of meeting the NDC as much as possible through domestic action. The purpose of this paper is to commission work to explore additional domestic action, not to commit to any specific decision.
- 10. We consider emissions budgets to be an *upper limit* for allowable emissions rather than the goal itself. This position is supported by the Commission’s most recent draft advice. The Commission notes that if achieving emissions reductions beyond the emissions budget becomes possible, doing so would offer several advantages including closing the NDC gap. This context has been included in the draft Cabinet paper.
- 11. Language has also been added to the draft Cabinet paper to underscore the time, effort, and resources that will be required to deliver significantly enhanced domestic action to address the concerns on assessing implications and possible limitations.

*Using ERP2 as the main vehicle to deliver additional domestic abatement*

12. Agencies registered similar concern about using ERP2 as the vehicle for identifying enhanced domestic action above EB2 levels. The main concern is that the proposals made in this paper are pre-empting the assessments and policy decisions for ERP2.
13. Ministry for the Environment officials have not accepted this feedback. We consider the intent of this paper is to seek agreement to broaden the scope of ERP2 with the aim of identifying and considering enhanced domestic abatement options required to meet NDC1 through the ERP2 process.
14. The proposal in the draft Cabinet paper seeks to progress work on ERP2 to explore options for Cabinet to consider. Each option would then need to be carefully evaluated for its feasibility. The proposal does not make any commitments to a particular policy or sector.
15. The process to develop ERP2 is underway, and it will need to take a long-term view if it is to be leveraged to significantly enhance domestic action.

*Pathways to 2050 using illustrative future NDCs*

16. Agency input also flagged a concern with the slide which showed a pathway to net zero by 2050 using illustrative future NDCs (slide 5). Treasury view the specific percentages included in the graphs to pre-empt future decisions on NDCs. MFAT further expressed the view that a direct NDC pathway to 2050 lacks the flexibility to adapt to the latest available science and the 1.5 °C temperature goal.
17. Ministry for the Environment officials have kept the pathway to 2050 using illustrative NDCs in recognition of your objective to demonstrate the changing policy mix over time. We have added language on the consideration for the latest available science to satisfy MFAT's concerns. We also intend to remove the specific percentage numbers for future NDCs, while retaining the indicative pathway to net zero.

*How we have responded to your feedback from 17 April*

18. You previously provided feedback on Slide 11 in the 'NDC strategy at a glance', noting that this should point to funding options to cover the cost of meeting the NDC.
19. In response, we have expanded the final bullet of this slide to highlight that the  
9(2)(f)(iv)
20. The draft Cabinet paper provides further information, including cost estimations from the CEFA, and seeks agreement to progress policy work to determine funding arrangements for the broader NDC strategy (eg, for institutional oversight of the Dynamic Pathway). Detail on funding options for international cooperation will be provided in the separate ICM Cabinet paper.

### *CRMG discussion on NDC strategy*

21. In BRF-3000, you agreed that the NDC strategy should be discussed at CRMG on 9 May. The purpose of the CRMG item is to socialise the strategy with Ministers and work through any contentious issues before the strategy goes to Cabinet.
22. The CRMG meeting falls within the period that the NDC strategy and Cabinet paper will be out for Ministerial consultation.
23. To support the discussion, we recommend providing both the draft Cabinet paper (Appendix 1) and the 'NDC strategy at a glance' (Appendix 3) as pre-reading. In advance of the meeting, we will also provide your Office with some summary slides to use to run the discussion.

### **Next steps**

24. Once your feedback on the draft Cabinet paper is received and incorporated, final papers for CRMG will be provided to your Office on Wednesday 3 May.
25. We intend to begin Ministerial consultation on the NDC strategy at the same time as the papers are provided to CRMG. Ministerial consultation will end on 16 May, with the CRMG discussion falling within the consultation window on 9 May.
26. The NDC strategy will be presented to DEV on 31 May and Cabinet on 6 June. We will work with you on final formatting and design of the public facing strategy, to occur after Cabinet approval of the strategy's content.

### **Recommendations**

We recommend that you:

- a. **Provide feedback** on the draft NDC strategy Cabinet paper  
Yes/No
- b. Confirm your preferred approach to responding to the key themes across agency feedback on the NDC strategy, in particular:
  - i. **Agree** that the Cabinet paper should retain the recommendation to develop proposals capable of significantly exceeding EB2, given Cabinet's priority to meet NDC1 through domestic action as much as possible.  
Yes/No
  - ii. **Agree** that the ERP2 process is the right vehicle to develop these proposals, acknowledging that this is primarily to put options for additional domestic abatement 'on the table' and does not commit us to any particular action or quantity of additional abatement.  
Yes/No

- iii. **Agree** to remove the specific percentage numbers for illustrative future NDCs from the strategy, while retaining the indicative pathway to net zero.

Yes/No

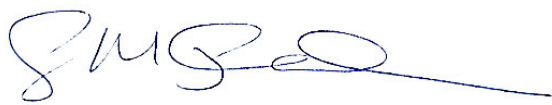
- c. **Agree** to commence Ministerial consultation once your feedback on the Cabinet paper has been incorporated, at the same time as papers are provided to CRMG Ministers.

Yes/No

- d. **Agree** to provide both the NDC strategy at a glance (Appendix 3) and the draft Cabinet paper (Appendix 1) as pre-reading for the CRMG discussion on 9 May.

Yes/No

## Signature

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| Simon Mandal-Johnson<br>Manager<br>Climate Strategy |  |
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| Hon James SHAW, Minister of Climate Change |  |
| [Date field]                               |  |

## **Appendix 1: Draft NDC strategy Cabinet paper**

Final Cabinet Paper provided as part of Document 6

## **Appendix 2: Agency feedback on the draft Cabinet paper and NDC strategy at a glance**



| Agency feedback received on CAB-215 v2 (April 2023)   |  |
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| Feedback  | MfE response (accepted, not integrated, for decision)  |
| DOC   |  |
| <ul style="list-style-type: none"> <li>An important issue in relation to New Zealand's NDC is accounting for non-forest land use.</li> <li>Non-forest vegetation and management interventions (such as browser control) on forest land that was planted before 1990 are not currently covered in our NDC target accounting. This means a potentially significant source of domestic sequestration not available to be invested in to help reach our ambitious target.</li> <li>Investment in non-forest vegetation such as coastal wetlands and re-wetting peatlands also has significant co-benefits for flood risk reduction and biodiversity.</li> <li>We recommend that non-forest land use and management be included in NDC target accounting by 2030 so that it can potentially be encouraged in climate regulatory settings such as the voluntary carbon market, Carbon Neutral Government Programme, agricultural greenhouse gas sequestration strategy and the ETS. This will help lessen our reliance on international credits and help to realise the ERP principle that climate policy enhance the protection and restoration of nature where possible.</li> <li>Including non-forest land use in New Zealand's NDC accounting aligns with UNFCCC good practice and with comparable jurisdictions. New Zealand is one of the few developed countries that does not include non-forestry land use in its NDC accounting.</li> </ul> | <p><b>Not integrated – out of scope</b></p> <ul style="list-style-type: none"> <li>The NDC strategy and Cabinet paper is intended to sit at a high level without seeking agreement to specific sources of domestic or international abatement.</li> <li>The potential for non-forest land use to contribute to the NDC and reduce reliance on international cooperation is an example of a specific domestic action (ie, investing in non-forest vegetation and management, and adjusting NDC accounting).</li> <li>We consider this would be more appropriately addressed as part of GHG accounting and have passed DOC's comments to the Emissions Insights and Reporting team.</li> </ul> |
| <p>In line with this, we suggest the cab paper include the following recommendations:</p> <ul style="list-style-type: none"> <li>Agree, in principle, that New Zealand's NDC target cover all different types of land, and that we work towards including non-forest land use and management interventions by 2030.</li> <li>Agree that non-forest abatement is able to be encouraged in climate policy mechanisms in advance of its eventual inclusion into New Zealand's NDC.</li> </ul>  | <p><b>Not integrated (as above)</b></p>  |

## Treasury

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| <p>The below points summarise our team's indicative views at this stage, and we'll look to engage more with future iterations.</p> <p>1. Overall, the paper could benefit from making a much clearer case for what value additional institutional infrastructure/processes would bring to NDC monitoring and achievement. We would assume that existing domestic functions (i.e. ERP/IEB/existing reporting) plus any new functions for the international markets (ICM) component would likely be sufficient – therefore we are less certain at this stage what additional value the 'dynamic pathway' component would bring.</p>   | <p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>Have clarified that we are not seeking 'additional' infrastructure. The IEB monitoring currently focuses only on domestic emissions budgets with no institution accountable for overseeing/managing progress towards the NDC.</li> <li>New functions may be needed within existing infrastructure – we are seeking Cabinet agreement to undertake the analysis needed to determine this.</li> <li>Have clarified that the 'dynamic pathway' is about remaining adaptive and managing decisions over time in alignment with monitoring cycles. Some institutional oversight is needed to align monitoring and decision-making processes along the pathway.</li> </ul> |
| <p>2. While we understand there are benefits to attempting to 'overachieve' or 'hedge' domestic emissions budgets, the paper could be clearer as to why an additional function of 'identifying domestic action beyond budgets' is needed. Given that domestic budgets are meant to reflect the extent of domestic ambition, we see risk in trying to go substantively beyond this. We see value in a strategy that is focused on a more enduring approach – i.e. in the longer-term, domestic budgets should represent the extent of domestic ambition and therefore 'going beyond' wouldn't explicitly be for NDC purposes but rather as 'hedging' for domestic achievement. We also assume that this strategy is meant for NDCs in general, rather than a plan to achieve NDC1 which has very specific context/characteristics.</p> | <p><b>For decision</b></p> <ul style="list-style-type: none"> <li>'Overachieving' emissions budgets is a direct response to Cabinet's request to minimise the need for international cooperation by meeting the NDC through domestic action as much as possible.</li> <li>The paper does not commit to specific actions for exceeding EB2 but highlights that the ERP2 process should put additional domestic options on the table to contribute to NDC1.</li> <li>The paper also recognises the Commission's prior advice that attempting to significantly overachieve EBs could have severe distributional impacts.</li> <li>The NDC strategy is both for NDC1 and sets the foundation for future NDCs.</li> </ul>               |
| <ul style="list-style-type: none"> <li>As an aside, we would appreciate greater clarity on how 'beyond budgets' is intended to be considered, in particular beyond NDC1 and EBs 1 and 2?</li> </ul>   | <p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>Have clarified that 'beyond emissions budgets' only refers to EBs 1, 2.</li> <li>While EB3 falls within the period of NDC2 (which has not been set), 9(2)(f)(iv) [REDACTED], however this is not specifically addressed in the Cabinet paper.</li> </ul>   |
| <ul style="list-style-type: none"> <li>We also note that the Commission's draft advice on ERP2 will be released today. We would strongly recommend waiting for this</li> </ul>  | <p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>Commission's draft advice for ERP2 has been considered, excerpts are included in the paper.</li> </ul>   |

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| and further development of ERP2 before commenting on 'additional domestic action'.  | <ul style="list-style-type: none"> <li>NDC strategy and ERP2 work are closely linked and underway in tandem.</li> </ul>   |
| <p>3. Regarding the Strategy slides, we agree that there is value in laying out for the public the general principles and structure of NDC achievement and the need for domestic and international action. If the intention is to publish something in the near future, we would consider material that sets out the high-level components of the strategy (e.g. slides 2-4) are more readily publishable, whereas specific details (even if illustrative), such as the levels for future NDC pathways (e.g. slide 5) would benefit from additional work before being published (with advice from the Commission, if possible). We see significant risk in publishing any potential future NDC levels with specific %s, even as part of an illustrative pathway, given this may significantly pre-empt decisions.</p> | <p><b>Accepted [SLIDES]</b></p> <ul style="list-style-type: none"> <li>Final strategy design will consider readability and a plain English re-write.</li> <li>Percentages for illustrative future NDCs will be removed from the slides.</li> </ul>  |
| <p>We would also recommend further refinement of references to 9(2)(f)(iv) [REDACTED]</p>   | <p><b>Not integrated [SLIDES]</b></p> <ul style="list-style-type: none"> <li>We have received specific feedback from the Minister on this line which we have actioned accordingly</li> </ul>  |
| <p>References to 'additional domestic action' – as per above, we consider this to carry a risk of confusing the public or suggesting that domestic budgets are not inherently the extent of New Zealand's domestic ambition (which they were advised upon by the Commission as being).</p>  | <p><b>For decision</b></p> <ul style="list-style-type: none"> <li>The aim of the strategy is to show how additional domestic action is needed to operationalise Cabinet's stated priority.</li> <li>The Commission's new draft recommendations for ERP2 acknowledge the role of emissions budgets in delivering the upper limit for allowable emissions rather than the goal itself. The Commission notes that if achieving emissions reductions beyond the emissions budget requirements becomes possible, doing so would offer several advantages, including closing the gap to meeting the NDC.</li> </ul> |
| <p>4. From our perspective, we would anticipate the NDC strategy is about ensuring that NZ is making progress towards our targets, that we should have robust mechanisms to drive ambitious domestic action and that where international action will complement this, that it is high value for public money (where public money is spent)/aligned with broader wellbeing. We would assume the key components of the NDC strategy are: 1) strong domestic ambition, supported by a</p>  | <p><b>Partially accepted</b></p> <ul style="list-style-type: none"> <li>The idea of 'overachieving' emissions budgets is a direct response to Cabinet's request to minimise the need for international cooperation by meeting the NDC through domestic action as much as possible.</li> <li>The strategy takes into consideration advice from the Commission on domestic action through ERPs as well as previous advice on the NDC.</li> </ul>  |

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| <p>robust domestic mitigation plan, and 2) options developed for international mitigation that allows NZ to go beyond stated domestic ambition to contribute further to global efforts. Over time, domestic budgets plus advice from the Commission should help inform how ambitious we can be domestically – this then provides the idea of how much is needed internationally for achievement for any given NDC.</p>   |  |
| <h2 style="text-align: center;">MPI</h2>   |  |
| <p>Publishing the “NDC Strategy” slide deck</p> <ul style="list-style-type: none"> <li>• The Cabinet paper itself doesn’t put forward a rationale for making this public. What do you see the benefit of releasing this publicly? Further, have you considered the timing of it in the election cool down period?</li> <li>• Slides five and six risk pre-empting Cabinet decisions on ERP2 as they propose significant additional domestic abatement than what was indicated in ERP1. Publishing this content in the form of a “strategy” will imply that these pathways are (or are likely to be) government policy. <ul style="list-style-type: none"> <li>○ The paper itself places much bigger caveats on these examples but this is lost in the slides.</li> </ul> </li> </ul> | <p><b>Not integrated</b> – rationale is included in paras 36 – 37</p> <p><b>For decision [SLIDES]</b> – The paper does not seek Cabinet agreement on any options in any sector. Instead, it notes that work on ERP2 will focus on exploring policy options that can be put on the table for decision and does not commit any action at this stage.</p> <p><b>Accepted [SLIDES]</b> – to note caveats more strongly in the slides</p> |
| <p>The scope of the Cabinet paper</p> <ul style="list-style-type: none"> <li>• The scope of this paper could be more accurately described. For example, the first line of the paper says it “lays out a strategy for meeting our NDC”. This feels like an overstatement as it doesn’t identify or seek agreement to any actual steps to reduce emissions. It could be more accurate to describe the paper as: seeking agreement to an adaptive management approach that helps government balance the contribution of domestic and offshore mitigation to meet the NDC.</li> </ul>  | <p><b>Accepted</b> – wording updated to reflect that the strategy is an adaptive management approach</p>   |
| <p>Enhanced domestic action through ERP2</p> <ul style="list-style-type: none"> <li>• The paper states in paragraph 50 that ERP2 will need to deliver emissions reductions that not only meet, but exceed EB2. The paper further proposes developing a robust pipeline of options that will be of a sufficient scale to deliver both our near term, medium term and long term goals.</li> </ul>  | <p><b>For decision</b></p> <ul style="list-style-type: none"> <li>• The idea of ‘overachieving’ emissions budgets is a direct response to Cabinet’s request to minimise the need for international cooperation by meeting the NDC through domestic action as much as possible.</li> </ul>  |

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| <ul style="list-style-type: none"> <li>• This is a huge call to make now. The point of having subsequent ERPs to match each EB is to keep up with changing context. We can't set in the next 18 months a plan for what is needed, say 10 years from now.             <ul style="list-style-type: none"> <li>○ Can the language be softened from "be of substantial scale" to "lay foundation" or something similar?</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• The NDC strategy aims to highlight to Ministers that laying the foundations to achieve our long-term goals requires development of options of significant scale now.</li> </ul>   |
| <p>The recommendations in the paper</p> <ul style="list-style-type: none"> <li>• We question the need to include recommendations in 9 and 10 in this Cabinet paper.             <ul style="list-style-type: none"> <li>○ Recommendation 9 seeks agreement to "determined implementation of ERP1 in the immediate term", but it's not clear what this really means but the text of the Cabinet paper suggests it is just reconfirming ERP1 decisions.</li> <li>○ Recommendation 10 seeks agreement to develop significant new proposals for ERP2 that can deliver emissions reductions in excess of the second emissions budget. There isn't any substantive discussion in the paper about the implications of taking this approach, so including this recommendation seems inappropriate. It would be more sensible to make this decision via a paper that focused on ERP2 strategic direction which can spend a bit more time on the potential policy, process and resourcing implications of that approach.</li> </ul> </li> <li>• We recommend that these recommendations are removed. If they are, it may make more sense to strip the paper back to focus on the adaptive management approach toward the NDC. The paper could simply seek agreement to:             <ul style="list-style-type: none"> <li>○ The adaptive management approach,</li> <li>○ The principles for the adaptive management approach,</li> <li>○ Undertaking further policy work on institutional arrangements and funding for this adaptive management approach.</li> </ul> </li> <li>• If these recommendations are not removed - there will need to be a stronger case in the Cabinet paper for how the ERP is a viable vehicle to set this domestic abatement needed. This could be along the lines of - "it could cost us a lot more to procure this abatement through offshore mitigation, and therefore it is more beneficial to do it domestically".</li> </ul> | <p><b>Accepted</b> – rec changed to reconfirming ERP1 implementation</p> <p><b>For decision</b> – This is a core part of the NDC strategy. It is intended as a response to Cabinet's priority for meeting the NDC with domestic action as much as possible, and therefore needs to address how this will be achieved</p> <p><b>For decision</b> – the paper does not seek Cabinet agreement to particular options for enhanced abatement in any sector, only to progress work through ERP2 to develop these options.</p> |

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| <ul style="list-style-type: none"> <li>○ Cabinet Ministers will also need a convincing argument that this increased domestic ambition is possible in different sectors, and a better understanding of the resourcing expectations for implementing this work across government.</li> <li>● Further, recommendation 9 asks Ministers to agree that where ERP1 actions are not on track agencies must respond urgently. <ul style="list-style-type: none"> <li>○ There needs to be more detail for what “not on track” means. <ul style="list-style-type: none"> <li>▪ Is there a threshold?</li> <li>▪ How often or how long does it need to be not on track?</li> <li>▪ What is this determined by? RAG status or updated projections?</li> </ul> </li> </ul> </li> </ul>  | <p><b>Accepted</b> – not on track is to be determined by the Board’s six-monthly report.</p>   |
| <p>Content in the paper discussing the purchase of offshore mitigation</p> <ul style="list-style-type: none"> <li>● The paper refers to the ICM Cabinet paper which we assume provides an analysis of options to make these types of purchases from other countries. We are very keen to see that draft and ensure it indicates what sort of on the ground activities these options might involve. For example, is it planting forests, physical removal of CO2 from the atmosphere, or what?</li> <li>● The paper suggests buying options that give NZ the rights to acquire emission reductions from third parties at our discretion. <ul style="list-style-type: none"> <li>○ We suggest this paper sign posts questions of feasibility of offshore purchases in the upcoming ICM paper e.g. as every other OECD country will also be willing to buy such options. Other parties will be prepared to commit 100% to purchasing emission reduction programmes, so NZ is unlikely to be able to buy options which give us discretion to use or not to use.</li> </ul> </li> </ul> | <p><b>Not integrated</b></p> <ul style="list-style-type: none"> <li>● The development of NZ’s portfolio of offshore mitigation is designed as a bespoke purchasing programme and is not contingent on the actions of other countries.</li> <li>● The feasibility of purchases is dependent on Cabinet decisions and the availability of funding to do so.</li> </ul> |
| <p>Firstly, Principle 5 (Slide 4 and para 69.5 of the draft cab paper) is "Align with NZ's national priorities." We agree this is an important principle. However, in respect of international action this is said to amount to: a preference for international action that supports sustainable development goals of partner countries with a focus on the Asia-Pacific region.</p> <p>In our view, NZ’s own strategic interests - not just our international development priorities - should be part of the equation for international purchasing. We therefore suggest this is expanded to expressly include</p>  | <p><b>Not integrated</b> – the support for sustainable development goals of partner countries and the focus on Asia-Pacific are Cabinet mandated.</p>  |

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| <p>alignment with NZ's domestic priorities, for instance (new wording in bold): ...This includes a preference for international action that (i) supports sustainable development goals of partner countries with a focus on the Asia-Pacific region, and (ii) supports and leverages New Zealand's national mitigation priorities (such as accelerating mitigation technologies and practices for agriculture and primary production).</p> <p>Secondly, under "Increasing Global Action", in slide 6, we suggest adding the words in bold below to the last bullet, to read as follows: Making best use of New Zealand expertise and creating opportunities for New Zealand technologies and the private sector overseas, such as New Zealand's global leadership in agricultural mitigation.</p> | <p><b>Partially accept [SLIDES]</b> – can add to slide 6 as an example, but advise against adding sector specific goals to the principles.</p>   |
| <p>Including further detail on the illustrative examples of enhanced domestic mitigation including, what levers governments will use such as price, investment, regulation.</p>   | <p><b>Not integrated</b></p> <ul style="list-style-type: none"> <li>• Policy detail would be too specific and could pre-empt the development and assessment of proposals.</li> <li>• Examples are deliberately high level.</li> <li>• Level of detail strikes a balance between agencies that would like examples removed and MPI who requests additional detail.</li> </ul> |
| <h2 style="text-align: center;">CC-IEB Unit</h2>  |  |
| <ul style="list-style-type: none"> <li>• The discussion on ERP1 needs some changes.             <ul style="list-style-type: none"> <li>○ Currently includes this: I propose Cabinet reconfirm its commitment to deliver ERP1, and where ERP1 actions are not on track, agencies be instructed to respond urgently and escalate any delivery risks to Cabinet and the Board.</li> <li>○ We think this needs to be framed around the Board's next six monthly report as the key check in where this can happen. Piecemeal and reactive won't work.</li> </ul> </li> </ul>   | <p><b>Accepted</b></p> <p>The Board's six-monthly report has been used as the check in point for assessing the ERP is on track.</p>  |
| <ul style="list-style-type: none"> <li>• There's a loose suggestion that the Board would be responsible for monitoring the NDC strategy. It's framed in an open way which is OK for now. We could see merits and disadvantages for this.</li> </ul>   | <p><b>Accepted</b></p> <p>Considering the Board's role will be part of the proposed policy work on institutional arrangements</p>  |
| <ul style="list-style-type: none"> <li>• It is possible we will get a reaction from departments from this paper, mainly down to how the paper characterises the challenge of reducing domestic emissions:</li> </ul>  | <p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>• Considerations added for limitations around technical feasibility and economic viability</li> <li>• Agency comments expressed some concern, but overall comfort</li> </ul>   |



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| <ul style="list-style-type: none"> <li>○ It needs to be starker. The paper talks about over-achieving EB2 to make a greater contribution to the NDC, without a sense of technical feasibility or economic viability.</li> <li>○ There was a reaction to similar content in the ERP2 paper that recently went to the board – basically asking why we are putting up options that are not realistic.</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>• There is a major overlap between what this paper is talking about and the ERP2 strategy, just need to make sure they are consistent.</li> </ul>  | Accepted   |
| <ul style="list-style-type: none"> <li>• The paper buries the estimated cost of offshore abatement, which needs to be drawn out for Ministers much more clearly, further up in the paper, supported by a noting rec.</li> </ul>   | <b>Partially accepted</b> <ul style="list-style-type: none"> <li>• While the CEFA estimates the cost of offshore abatement, the cost of meeting the NDC (whether through offshore abatement or domestic action) will be high.</li> <li>• Offshore mitigation is intended to lessen the cost of meeting the NDC as mitigation is on average less expensive overseas.</li> <li>• The Commission has previously estimated a cost of \$300 per tonne by 2030 of domestic abatement. Current offshore mitigation is estimated at \$20-\$40.</li> <li>• A noting rec has been added on the cost of offshore abatement and meeting the NDC writ large.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Likewise, there are other risks that come with offshore abatement including transaction costs, the bespoke nature of many projects, and challenges measuring and verifying mitigation.</li> </ul>  | <b>Not integrated</b><br>Details to be included in ICM paper in mid-June   |
| <b>MFAT</b>   |  |
| <ul style="list-style-type: none"> <li>• The illustrative future NDCs – and the general proposition that future NDCs should align with the current legislated 2050 targets. We can understand the attraction of the paper using a recognised anchor point for the illustrative NDCs, but are wary tying the NDCs to the 2050 target too strongly. It doesn't seem strictly necessary and pulls against the idea of 1.5 alignment of future NDCs, that our climate response will align with current science on an ongoing basis (vs a particular moment in 2019); that we're open to considering the outcomes of the Global Stocktakes and other UNFCCC developments etc. We think the illustrative NDCs should be clearly badged as just that, with an acknowledgement these will need to align with science</li> </ul> | <b>Accepted</b><br>Language has been added to note that the illustrative NDCs would also be in alignment with 1.5C and the latest available science.   |



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| <p>and respond to other external factors at the time, and the narrative could be framed around 1.5.</p>  |  |
| <ul style="list-style-type: none"> <li>• Relativity to domestic budgets – we detect a tonal shift, a message that our NDC is set at a much higher ambition than our domestic budgets. This also seems to create some risk. We see a preferable message emphasising we chose to set our NDC for 1.5 degrees. And we chose to set our domestic budgets at a lower level than this, to take account of the cost of domestic action and knowing that we could use offshore mitigation.</li> </ul>  | <p><b>Accepted</b></p> <p>The process for setting EBs is separate from setting NDCs. This is noted in paragraph 8 and 30-31.</p>   |
| <ul style="list-style-type: none"> <li>• ICM - It is good to see the 3 tranche concept carried over from the EY report, but the characterisation of the tranches is a bit unclear. “A” seems to require us to find opportunities that require no upfront payment and can be drawn on as required. There’s no discussion of whether these opportunities exist (I don’t know of any off the top of my head), and what the impacts on price will be of asking our counterparty to take all the risk. In pragmatic terms, Cabinet will fairly easily recognise 9(2)(g)(i) doesn’t work like this, and may push back on arguments for a near term decision. “B” gets “secured” for “deployment” in 2025/6. I assume this is where our bilateral partnerships are intended to sit. There’s no warning there may be up-front payment/technical expense and activity/capacity building costs, though a 2-5 year lead time is registered in subsequent paragraphs. This might give Cabinet the impression they can resist authorising bilateral costs and commitments until 2025. We’d have difficulty agreeing “A” is the most important thing to get moving. There’s also a statement about MfE and MFAT engagement with the Pacific. 6(a)</li> </ul> <p>Given the emerging bilateral opportunities in Africa, we think it is important to starting the narrative about transformative impacts on sustainable development being accessible in the Asia Pacific and beyond</p> | <p><b>Accepted</b></p> <ul style="list-style-type: none"> <li>• Language revised to emphasise immediate action and upfront commitments. Removal of suggestion that options are open and available for the taking at any time.</li> <li>• 6(a) broadened to Asia-Pacific, and addition of reference to Africa.</li> </ul> |

## Appendix 3: NDC strategy at a glance

Appendix provided as part of Document 6