



File No. DOIA 1516-0059

14 AUG 2015

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Green Party of Aotearoa New Zealand
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Dear Kena

Thank you for your email of 15 July 2015 requesting the following under the Official Information Act 1982 (the Act):

Please provide copies of all advice and reports provided by the Ministry of Business, Innovation and Employment to the Government regarding New Zealand's 2030 climate target.

The Ministry of Business, Innovation and Employment (the Ministry) has identified two documents in response to your request, both aides mémoire to the Minister for Economic Development, Science and Innovation, Tertiary Education, Skills and Employment, and the Minister of Energy and Resources. These are as follows:

1. 27 March 2015: *Cabinet Strategy Committee: climate change target discussion*
2. 22 June 2015: *EGI: New Zealand's intended contribution to the new global climate change agreement.*

Copies are attached. Some information has been withheld from these documents, under the following sections of the Act:

- | | |
|-------------|--|
| 9(2)(a) | To protect the privacy of natural persons, including that of deceased natural persons. |
| 9(2)(ba)(i) | To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied. |
| 9(2)(f)(iv) | To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials. |
| 9(2)(g)(i) | To maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty. |
| 9(2)(j) | To enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). |



AIDE MEMOIRE

EGI: New Zealand's intended contribution to the new global climate change agreement

| | | | |
|---------------------------------|--------------|------------------------|------------|
| Date: | 22 June 2015 | Priority: | High |
| Security Classification: | Restricted | Tracker number: | 3243 14-15 |

Information for Minister(s)

| | |
|---|--|
| Hon Steven Joyce Minister for Economic Development, Science and Innovation, Tertiary Education, Skills and Employment | Hon Simon Bridges Minister of Energy and Resources |
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Contact for telephone discussion (if required)

| Name | Position | Telephone | 1st contact |
|-----------------|--|-------------|-------------|
| Elisabeth Numan | Policy Director, Energy and Resources | 04 462 4204 | ✓ |
| Andrew Millar | Principal Advisor, Energy Markets Policy | 04 901 1556 | |
| §9(2)(a) | Senior Advisor, Energy Markets Policy | §9(2)(a) | |

The following departments/agencies have been consulted

| | | | | | |
|-----------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|
| <input type="checkbox"/> Treasury | <input type="checkbox"/> MoJ | <input type="checkbox"/> NZTE | <input type="checkbox"/> MSD | <input type="checkbox"/> TEC | <input type="checkbox"/> MoE |
| <input type="checkbox"/> MFAT | <input type="checkbox"/> MPI | <input type="checkbox"/> MfE | <input type="checkbox"/> DIA | <input type="checkbox"/> TPK | <input type="checkbox"/> MoH |
| <input type="checkbox"/> Other: | | | N/A | | |

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

15. ss9(2)(ba)(i) and 9(2)(j) [redacted]
 [redacted] It is worth noting that both the United States and the European Union have indicated that they will not be using international units to meet their post-2020 targets.

16. The table below⁽¹⁾ shows the ss9(2)(ba)(i) level of international purchasing for New Zealand at different target levels:

| Target: 2021-2030 | -5% | -6% | -10% | -15% | -20% |
|---|----------------------|-----|------|------|------|
| Total amount of CO ₂ e reductions (MT) | 242 | 247 | 260 | 284 | 305 |
| Amount of domestic reductions (MT) | ss9(2)(j) [redacted] | | | | |
| Amount of international purchasing (MT) | | | | | |
| Cost of international purchasing at \$46 tonne (billion \$) | | | | | |

17. As the level of economic abatement at a given price is fixed, the higher the target New Zealand takes, the greater the cost of international purchasing.

18. The economic cost of this purchasing is significantly influenced by the price of international units. Computable general equilibrium (CGE) modelling suggests that if New Zealand was required to abate emissions domestically without access international purchasing, a much higher domestic carbon price of up to \$300 per tonne would be needed to attempt to meet a -10% target. ss9(2)(ba)(i) and 9(2)(j)

19. ss9(2)(f) [redacted]

But there are domestic abatement opportunities to be explored...

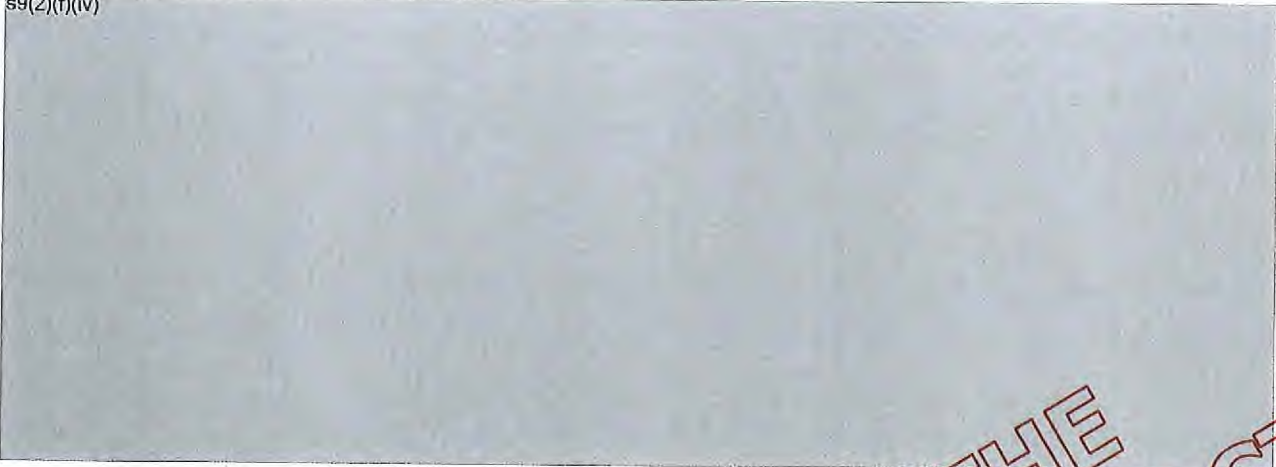
20. However, New Zealand will not be totally reliant on international purchasing as there are also domestic abatement opportunities from a transition to low emissions economic growth.

21. ss9(2)(f)(iv) [redacted]

⁽¹⁾ Based on CGE modelling by Infometrics. This modelling assumes a carbon price reaching \$50 by 2030, that there is no effective way to address methane emissions from agriculture, that technological change would not allow for greater emissions reductions from the transport sector, that there would be sufficient units available to meet New Zealand's requirements and that there would be no increase in domestic afforestation from a higher carbon price. It also assumes a linear relationship between the level of target and the cost of purchasing.

This modelling should only be considered as indicative based on the assumptions used as afforestation and technological change is also likely to affect domestic abatement opportunities. It also not directly comparable to the figure in the Cabinet paper as these show the full economic cost from CGE models, which includes the impact on the economy of carbon pricing (assuming no significant technology or structural shifts) and the flow-on effects of sending money offshore to buy international units.

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The level and form of New Zealand's INDC

28. §9(2)(ba)(i)

However, this should not come at the expense of incentivising a steady and predictable transition to a low emissions economy, and encouraging the nascent domestic abatement opportunity that our analysis suggests.

Target should not exceed -10%

29. Although our previous advice recommended a target of -6% on 1990 levels, our analysis suggests that §9(2)(i)

it would make sense to support a higher target as a risk management tool for reducing future costs.

Target should be on a whole-of-economy basis

30. As noted above, the form of New Zealand's international climate change commitment also has important implications for the speed and shape of a domestic transition. In our view, a whole-of-economy target sends a clear signal that maintaining momentum in economic growth is a priority and this means all parts of the economy need to bear the costs of the transition to a low emissions future.

31. This does not mean that all parts of the economy should bear an equal share, but that all parts of the economy have scope for emissions reduction and should play a part. Levelling the playing field across all sectors is important to ensuring that over the medium-to-long-term investment flows to the areas of highest national value. Under this approach, Government also retains flexibility in apportioning the transition costs through domestic policy settings to aid the balancing of short-term business costs and long-term incentives for innovation and productivity growth.

32. Second, it addresses the risks that the costs of meeting our climate target will be disproportionality loaded onto the energy and transport sectors - both important enablers of economic growth. Any cost increases from abatement in these sectors will be passed on through the economy. Our concern is that New Zealand may face pressure to commit to the same overall level of emission reduction, but from a narrower base (the "waterbed effect").

33. §9(2)(ba)(i)

