



Cabinet

Minute of Decision

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.

A Government Position on International Carbon Markets

Portfolio **Climate Change**

On 28 May 2018, following reference from the Cabinet Economic Development Committee, Cabinet:

- 1 **noted** that public consultation on the Zero Carbon Bill is planned to begin on 7 June 2018;
- 2 **noted** that consultation on the Zero Carbon Bill will likely result in Ministers and officials being asked about the government's position on the use of international carbon markets;
- 3 **agreed** on the importance of having a government position on international carbon markets that does not commit the government to using international carbon markets, but retains the option for future governments to use them after 2020 under certain circumstances;
- 4 **noted** that accessing international units is a last resort rather than a first choice;
- 5 **agreed** that the government position is that it:
 - 5.1 is committed to meeting ambitious emission reduction targets in 2030 and beyond;
 - 5.2 will do this first and foremost through ambitious climate change action at home and transitioning New Zealand to a net zero target over the coming decades;
 - 5.3 is conscious of managing our climate action in ways that work for New Zealand's economy and national circumstances, ensuring coordination between the government's climate goals and its objectives around regional economic development and inclusive economic prosperity;
 - 5.4 retain future options and keep New Zealand "at the table" of international markets negotiations. This will allow the government:
 - 5.4.1 to continue helping to ensure international carbon markets that develop are transparent, rules based, and have environmental integrity, whether New Zealand itself chooses to use them in future or not; and
 - 5.4.2 to maintain options of securing access to international carbon markets if this makes sense in the future;

- 5.5 should be clear with market participants that it will only use international carbon markets after 2020 if:
- 5.5.1 the credits/units are genuine and have environmental integrity;
 - 5.5.2 that by doing so, the government will maintain progress towards its transition to a net zero target;
 - 5.5.3 that it makes economic sense to do so; and
 - 5.5.4 the government can do it in a way that will maintain a steadily rising domestic carbon price, to maintain incentives in domestic abatement opportunities, such as forestry.
- 6 **noted** that the government position outlined in paragraph 5 above:
- 6.1 will be used as the basis for responding to stakeholders about international carbon markets;
 - 6.2 does not commit New Zealand to any future use of international carbon markets;
- 7 **noted** that the Minister for Climate Change (the Minister) will report back to Cabinet if any of the potential arrangements come to the point at which formal negotiations may be ready to begin;
- 8 **noted** that the Minister will present Cabinet with further information on the economic implications of using, or not using, international carbon markets in order to assist with decision-making around the 2050 target and the Zero Carbon Bill.

Michael Webster
Secretary of the Cabinet

Secretary's note: *Cabinet agreed on 10 December 2018 that this minute be amended by the addition of the new paragraph 4 above.*

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister for Climate Change