



ETG Report – Priority climate change policy questions for 2009 and background reading materials

Date:	22 December 2008	MfE Priority:	URGENT
Security Level:		Number of Attachments:	11
		MfE Ref No:	08-B-1219

Action Sought

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Minister of Finance Hon Bill English	Note	
Minister for Climate Change Issues Hon Dr Nick Smith	<p>Note the seven priority climate change questions for 2009</p> <p>Note the attached background reports</p> <p>Forward this paper to:</p> <ul style="list-style-type: none"> • The Prime Minister • Minister of Energy and Resources • Minister of Transport. 	23 December 2008
Associate Minister for Climate Change Issues (International Negotiations) Hon Tom Groser	Note	
Minister of Agriculture and Forestry Hon David Carter	Note	

Ministry for the Environment Contacts

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Executive Summary

The briefing provides background material for your consideration over the summer break.

Annex one lists seven questions officials consider will be major climate change policy issues for the Government in 2009. There are four questions relating to New Zealand's international position on climate change, and three questions relating to domestic policies. These questions provide some focus for when Ministers reading the background ETS reading materials in Annex two.

Recommended Action

We recommend you:

- | | |
|---|-----------------|
| (a) Note the seven priority climate change questions for 2009; and | Yes / No |
| (b) Note the attached background reports; and | Yes / No |
| (c) Forward this briefing, attached annexes and attached background reports to | |
| • The Prime Minister | Yes / No |
| • Minister of Energy and Resources | Yes / No |
| • Minister of Transport. | Yes / No |

Stuart Calman
Acting General Manager, Emissions Trading Group

Date

Hon Dr Nick Smith
Minister for Climate Change Issues

Date

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Annex One

Seven questions follow that officials consider to be the major climate change policy questions for 2009

International:

1. What national emission reduction target, if any, is New Zealand willing to commit to in the medium term (e.g. 2013 to 2017/2020) either unilaterally or as part of a broad international agreement post-2012?
2. What conditions would New Zealand place on making any international emission reduction commitment post-2012, particularly regarding (a) the rules for the forestry and agriculture sectors; (b) the use of emissions trading and other flexible mechanisms; and (c) comparability of effort by major emitters?
3. What global stabilisation target, if any, would New Zealand accept (e.g. 450 ppm)?
4. When would New Zealand wish to announce its approach to targets and conditions under a post-2012 international agreement?

Domestic:

5. What adjustments does the government wish to make to the existing emissions trading scheme design and policy? For example, what changes does the government wish to make to allocation policy, assistance to households/consumers, use of forestry offsets?
6. To what extent is the government willing to adjust the design of the New Zealand emissions trading scheme in order to be able to link with Australia? For example, in order to link with the Australian Carbon Pollution Reduction Scheme as currently proposed, New Zealand would need to consider introducing a price cap, aligning restrictions on the entry of international units, and possibly aligning sectoral entry dates.
7. What complementary measures are appropriate once a price of carbon is introduced to the economy? Examples of complementary measures include support for research and development and the provision of information.

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Annex Two

The following documents will provide you with background information on the design of the NZ ETS.

1. *The Framework for a New Zealand Emissions Trading Scheme*. Released in September 2007, this “framework document” presents the previous government’s proposal for the New Zealand Emissions Trading Scheme (NZ ETS). This document served as the basis for the government’s engagement with stakeholders and Māori from September to November 2007. Officials wish to draw your attention to chapters 2 and 3 in particular, which discuss the international and domestic context, and the rationale for emissions trading.
2. *Climate Change Policy: Objective for a New Zealand emissions trading scheme* (Cabinet paper, May 2008). This paper, although written by the previous government, contains useful background on the rationale and the consequences of a New Zealand emissions trading scheme. The Annexes have been removed from the copy provided to you.
3. Factsheets on the NZ ETS. A series of factsheets were published in September 2008 to highlight key NZ ETS design features of interest to particular sectors and Māori. These include:
 - a. How the New Zealand emissions trading scheme works
 - b. Major design features of the emissions trading scheme
 - c. Forestry in the emissions trading scheme
 - d. Transport in the emissions trading scheme
 - e. Energy in the emissions trading scheme
 - f. Industry in the emissions trading scheme
 - g. Agriculture in the emissions trading scheme
 - h. Emissions trading and Maori
4. *The Briefing for the Incoming Minister on the New Zealand Emissions Trading Scheme* (21 November 2008) which provides an overview of the key features of the emissions trading scheme as contained in the Climate Change Response Act (2002).