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## Draft Cabinet papers: 2020 Target and NZ ETS Amendments

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<b>Date:</b>	23 July 2009	<b>MfE Priority:</b>	Urgent
<b>Security Level:</b>		<b>Number of Attachments:</b>	3
		<b>MfE Ref No:</b>	09-B-02083

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	Description	Relevant dates
Minister for Climate Change issues Hon Dr Nick Smith	We seek your feedback on any matters relating to the draft Cabinet papers on the 2020 target and amendments for a moderated NZ ETS.	Cabinet papers are to be lodged with the Cabinet office on 30 July for EGI on 5 August and Cabinet on 10 August.
Minister for Climate Change Issues (International Negotiations) Hon Tim Groser	None	None

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## Ministry for the Environment Contacts

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Name	Position	Telephone		1st Contact
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## Purpose

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This briefing seeks your feedback on the attached draft Cabinet Papers: *New Zealand's 2020 Emissions Reduction Target and Amendments for a Moderated NZ ETS*. It outlines the process underway to finalise these papers, which are scheduled to be presented to the Cabinet Economic Growth and Infrastructure Committee on 5 August.

A draft Cabinet paper on the second order amendments to the NZ ETS is also being prepared [09-B-01924 refers]. This paper is scheduled to be presented to EGI and Cabinet at the same time as the papers on the 2020 target and amendments for a moderated NZ ETS.

## Key Points

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### *Draft Cabinet paper: New Zealand's 2020 Emissions Reduction Target*

In the paper you propose to Cabinet a 2020 target range of 12% to 20% below 1990 levels. A 12% target is conditional on commitments by other Annex I Parties of at least 25% below 1990 levels. The 20% reduction below 1990 levels is conditional, in addition to the above, on a global agreement capable of stabilising greenhouse gas concentrations at 450 ppm CO<sub>2</sub>-e or lower, and developing countries agreeing to reduce emissions by between 15% and 30% below business as usual.

Both targets would be conditional on changes to the land use, land-use change and forestry rules namely the proposed Emissions to Atmosphere rule for harvested wood products and the proposed Land Use Flexibility rule.

An initial draft text of the announcement is attached as Appendix 2 to the paper. Officials will continue to refine this text. The wording is similar to that used by the Australians in the announcement of their 2020 target. The statement of Australia's 2020 targets is also attached to this briefing note for your information.

There are some inconsistencies in the language between the draft announcement text and the draft Cabinet paper with reference to developed/developing, Annex I and non-Annex I, and advanced and major developing countries. Officials will continue to work through this issue.

A draft Treasury comment is included as Appendix 3 to this Cabinet paper. The financial implications section has also been drafted by the Treasury.

### *Draft Cabinet Paper: Amendment for a moderated NZ ETS*

The draft Cabinet paper on Amendments for a Moderated NZ ETS seeks agreement in principle to substantive modifications to the NZ ETS. The paper reflects the outcomes from the Ministerial meeting on 21 July. It now incorporates a progressive obligation for the agriculture sector for 2013-14 and determination of the phase-out for free allocation through a five-yearly review mechanism.

Following agreement in principle to proposed amendments, further development of detailed policy will be required. The paper seeks clearance for you to work with Ministerial colleagues on these issues over the next two months, and to issue drafting instructions to implement policy

reflected in the Cabinet paper as well as detailed policy that is subsequently developed. It is intended that final policy approval and approval to introduce an amendment bill will be sought in September, after the release of the ETS Review Select Committee's Report.

The paper seeks authorisation for you to manage public announcements/engagement on amendments to the NZ ETS following the release of the ETS Review Select Committee's Report.

The paper also seeks approval for engagement with the Climate Change Iwi Leadership Group and the Māori Reference Group Executive. In addition, given limited timeframes, it is important to begin development of activity definitions and investigate data collection requirements for determining allocation eligibility and entitlements in terms of allocation to trade-exposed industry. This will require engagement of industry stakeholders, for which authorisation is sought.

*Process and timeframes for the Cabinet papers*

Departmental consultation on these papers is currently underway. Both papers are to be lodged at the Cabinet Office on 30 July 2009 to be presented at the Cabinet Economic Growth and Infrastructure Committee on 5 August and then to Cabinet on 10 August.

Officials are due to meet with you next week to seek your feedback on any matters relating to the papers.

John Scott

**Acting Manager, Emissions Trading**

Referred to Ministry Communications Staff:

**Date**

**No**