

6 International setting, New Zealand position and strategy for UNFCCC COP11

6.1 International setting

6.1.1 Introduction

There is a growing consensus within the international community, stemming from greater scientific evidence, that climate change poses significant global risks over the medium-to-long term and that further steps are needed to tackle the problem.

The UNFCCC continues to be endorsed as the primary forum for intergovernmental discussion on climate change. However, there is currently no agreement by parties to the UNFCCC to begin a process of considering future action beyond 2012. Climate change is increasingly coming up in other contexts and fora beyond the UNFCCC, complicating the international situation.

While the creation of the UNFCCC emerged from an international will to deal with a growing environmental problem, national economic interests (both short and long term) are now firmly in the mix when countries weigh up what action they are prepared to take on climate change. (Increasingly, there is a development dimension as well.) Competitiveness issues are important: while these were partially addressed through Kyoto – in that the Protocol envisaged all developed countries, but not developing countries, would take on binding targets – with the United States and Australia deciding against ratification, the playing field has become skewed.

6.1.2 Summary of key player positions

There is no international agreement on how to deal with climate change post-2012. The positions of key players are far apart.

United States

United States climate change policy has three basic components:

- slowing the growth of greenhouse gas emissions (through cutting greenhouse gas intensity by 18% by 2012)
- laying the groundwork for current and future action through major investments in science and technology, and institutions (in the 2005 fiscal year, approximately \$US5 billion was allocated to the United States Climate Change Science Program and the Climate Change Technology Program)

- promoting international cooperation (such as the plurilateral Asia-Pacific Partnership on Clean Development and Climate, and bilateral partnerships, of which it has 14, including with New Zealand).

The United States is not willing to accept limits on emissions that might restrict economic growth – witness its decision in 2001 not to ratify Kyoto -

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Current United States policy is to re-examine this position in 2012 (when the President's plan to address climate change will be reviewed).

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Australia

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Australia insists that negotiations should be broad-based, including major emitters, so as to ensure environmental effectiveness and economic fairness.

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Australia is one of the founding members of the Asia-Pacific Partnership on Clean Development and Climate (along with the United States, China, India, South Korea and Japan), indicating a willingness to pursue plurilateral pathways. It also has (five) bilateral climate change partnerships, including with New Zealand, and is a member of several technology partnerships.

European Union

The European Union continues to promote a multilateral process with ambitious targets for Annex I Parties. In March, a European Council decision confirmed a policy target to not allow the global temperature to increase more than 2°C above pre-industrial levels, and endorsed earlier calls from European environment ministers that Annex I Parties should consider 15% to 30% emissions-reduction targets by 2020 relative to 1990 baselines.

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The United Kingdom will hold the presidency of the European Union at UNFCCC Montreal. Climate change has been one of the key priority areas for the presidency, driven by Prime Minister Blair, including at the G8 Gleneagles Summit in July. Following comments made by Blair in September, the media have raised questions about the United Kingdom's commitment to Kyoto; United Kingdom officials have since sought to clarify that the United Kingdom position remains unchanged and that Blair's comments do not signal a move away from support of the Protocol.

Non-EU Annex I countries: Canada, Japan, Norway

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Canada, Japan and Norway have been supportive of starting international discussions on future action under the UNFCCC.

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Japan is the only Kyoto Annex I Party in the new Asia-Pacific Partnership for Clean Development and Climate.

Major developing countries

Part of the challenge of engaging all major emitters in a future international regime to address climate change is securing action from developing-country parties. Major developing countries (China, India, Brazil) continue to state that they cannot restrict economic growth by restricting emissions.

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Pacific Island countries

Climate change is an issue of high importance for the Pacific, and a large number of individual Pacific Island countries are involved in the UNFCCC process. Working as part of the Alliance of Small Island States (AOSIS), these countries carry the weight of moral authority in the multilateral process in calling for further action to address climate change. Many are on the front line of impacts, whereas their contribution to the problem is negligible. As well as providing a voice of support to Pacific Island country concerns, New Zealand made a voluntary commitment in 2001 of \$NZ5 million (to come on stream in 2005) to support developing countries, including funding provided through NZAID, the Global Environment Facility and support to multilateral climate change funds.

Tuvalu has, to date, been the most outspoken of the Pacific Island countries, often as a lead voice for AOSIS, but Papua New Guinea and Samoa have increased their profile in recent meetings. Papua New Guinea has led the formation of a Rainforest Coalition to “reconcile forest stewardship with economic development”, to lobby for developing countries to be allowed to trade in carbon credits in return for conservation of rainforests. This issue will be on the agenda for COP11 in Montreal; Papua New Guinea also raised the issue at the 36th Pacific Island Forum leaders’ meeting.

6.1.3 Possible approaches to international action

With a divergence of views among major players, it is likely that there will continue to be a period of uncertainty until the international community gets closer to some agreement on future action. For the moment, there are a number of different approaches, formal and informal, under discussion or under way. A multi-track approach, with different elements being pursued by ad hoc groupings and at different speeds, may be a way forward. At this stage, it may be possible to identify some of these tracks.

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G8 (and other action by major economies)

The G8 provides a useful forum for dialogue between the major developed- and developing-country emitters. At the summit in July, a Gleneagles Plan of Action on

Climate Change, Clean Energy and Sustainable Development was agreed to take forward action in transforming energy systems, powering a cleaner future, promoting research and development, financing the transition to cleaner energy, managing the impacts of climate change and tackling illegal logging. Leaders also decided to establish a Dialogue on Climate Change, Clean Energy and Sustainable Development, and invited other interested countries with significant energy needs to join in. The United Kingdom will host the first meeting of the new Dialogue in November. **[withheld under OIA s6(a), s6(b)(i)]** New Zealand is not involved in this process.

Asia-Pacific Partnership on Clean Development and Climate

This partnership, announced in July, has the potential to make a useful contribution, bringing together some major emitters (United States, China, India) and technology leaders (United States, Japan), with a focus on technology transfer. There is, however, no detail yet beyond a general vision statement.

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The partners have stressed that the framework is intended to complement Kyoto and is not an alternative to it.

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Other plurilateral partnerships

There are a number of international technology and research and development partnerships, often with their genesis in the United States, including the International Partnership for the Hydrogen Economy, the Carbon Sequestration Leadership Forum, and the Methane to Markets Partnership.

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Sectoral tracks

Climate change is also being tackled in a number of non-governmental think tanks; eg, the Pew Centre on Global Climate Change and the Center for Clean Air Policy. One of the areas of focus in think tank discussions is the contribution to emissions reductions that could be made by different sectors (eg, energy, oil, transport) in setting standards and developing low-emission technologies.

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6.2 New Zealand position and strategy

6.2.1 New Zealand's position to date

New Zealand is an active player in the UNFCCC process. New Zealand's most recent presentation was at the UNFCCC Seminar of Governmental Experts, held in Bonn in May. The key messages delivered were:

- New Zealand treats climate change seriously and is taking action, both domestically and in support of Pacific Island countries
- national circumstances are important; New Zealand is different from other developed countries
- we urgently need a constructive dialogue on how to take meaningful action on climate change, and at the same time provide for future economic growth and development aspirations.

On the last point, it was noted that New Zealand welcomed the entry into force of the Kyoto Protocol and that a constructive dialogue was urgently needed on what the international community should do next on climate change to build on the first step of Kyoto. It was noted that New Zealand had no predetermined view on the best future global framework, building on Kyoto's CP1 commitments, to address climate change and that we were still working on our position on future action. In doing so, we were looking to answer some difficult questions: How can we get a constructive dialogue started now on what the international community should do next to tackle climate change? How can we make climate change measures compatible with future economic growth and development aspirations? How do we recognise that some economic sectors, such as agriculture, currently have limited technology solutions? How do we get all of the major emitters involved? The presentation concluded by noting that New Zealand was open to considering all constructive options proposed to deal with climate change.

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New Zealand has bilateral climate change partnerships with the United States and Australia, through which it engages on climate change with two important non-Kyoto parties.

6.2.2 New Zealand's position and strategy for COP11 and beyond: assumptions

With the potential for further discussions, and perhaps negotiations, on future action on the near horizon, it is appropriate to consider what position and strategy New Zealand might take to UNFCCC Montreal and beyond into 2006. It is helpful to make explicit some key assumptions underpinning consideration of a New Zealand position and strategy. These are as follows:

- New Zealand faces economic risk if climate change is not kept to tolerable levels. Accordingly, it is in our national interest to support effective international action to reduce climate change and to minimise its impact
- there are no easy mitigation options for New Zealand
- decisions are yet to be made by the Government, following the Climate Change Policy Review, about what future package of actions New Zealand might take on climate change
- New Zealand's position on climate change should be informed by, and consistent with, positions on other issues, such as trade policy, sustainable development and energy security, and should be mindful of bilateral and regional relationships
- uncertainty surrounds the prospects for further international action on climate change and what form this might take. This uncertainty makes decisions on appropriate future New Zealand domestic policy settings difficult
- given this uncertainty, it is also difficult to plot a clear New Zealand international strategy. We should have a better idea of the options that are emerging after UNFCCC Montreal in November/December
- it will not be easy in future negotiations to strike the right balance between maximising climate change reductions and minimising economic cost
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- New Zealand is reliant on global action to achieve effective action against climate change
- to tackle climate change effectively, future action requires the active participation of all major emitters, both developed and developing countries. New Zealand has consistently emphasised the need for "broad and balanced participation"

- developed countries are required to take the lead in future action
- **[withheld under OIA s6(a), s9(2)(j)]**
- New Zealand's constituency and key relationships are diffuse. We will need to work hard to identify partners and build allies, perhaps on an issue-by-issue basis
- **[withheld under OIA s6(a), s9(2)(j)]**
- **[withheld under OIA s9(2)(j)]**
- New Zealand has specific interests in any future climate change negotiations (reflecting our unique emissions profile) that are not shared by other developed countries and are discounted by developing countries. We therefore need to participate in negotiations to ensure that these are taken into account in future international measures
- New Zealand is a minor player and has little ability to influence the position of major emitters. **[withheld under OIA s6(a), s9(2)(j)]**
- any future commitments should be equitable and should not unfairly impact on New Zealand or our competitiveness vis-a-vis other trading partners
- there will not be a "silver bullet" solution to climate change. Tackling the issue will require making progress on a number of different fronts
- technology will play a part in addressing climate change in the future; however, the technology to deal with methane and nitrous oxide will take longer to develop than that for emissions from industry and energy. Methane and nitrous oxide will therefore require a different approach; eg, longer timeframes, credit for research and development, and more realistic targets. These distinctions currently have little resonance in international discussions and proposals are not yet developed to address this issue
- **[withheld under OIA s6(a), s9(2)(j)]**
- forest sinks may remain important as a mitigation tool for New Zealand in the future. The review has presented new information and has developed a series of

options for Ministers to consider. A decision on these options will inform New Zealand's detailed position on the future treatment of sinks in any future regime

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- allocating emissions targets on a *per capita* basis would put New Zealand at a disadvantage, given our agricultural base and geography
- Pacific Island countries are highly vulnerable to the effects of climate change, and we should continue to support their concerns and to promote greater international efforts to assist in adaptation.

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