

## Legislation to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) – Draft Cabinet paper

<b>Reason for this briefing</b>	<p>This briefing accompanies the draft Cabinet paper, <i>Legislation to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)</i>, which is provided for your review ahead of cross-party consultation.</p> <p>This briefing sets out the noteworthy matters within the Cabinet paper that you should be aware of, including that:</p> <ul style="list-style-type: none"> <li>• the New Zealand Emissions Trading Scheme will not be part of CORSA</li> <li>• there are potential costs and risks of implementing CORSA</li> <li>• there are regulatory and information sharing roles for government agencies.</li> </ul>
<b>Action required</b>	Provide feedback on the draft Cabinet paper and/or meet with officials to discuss the paper.
<b>Deadline</b>	Friday, 12 July 2019
<b>Reason for deadline</b>	To enable officials to incorporate your feedback ahead of cross-party consultation.

### Contact for telephone discussion (if required)

Name	Position	Telephone	First Contact
Glen-Marie Burns	Manager – Urban Development & Environment	██████████	✓
██████████	Adviser – Urban Development & Environment	██████████	

### MINISTER'S COMMENTS:

Withheld to protect the privacy of natural persons

<b>Date:</b>	28 June 2019	<b>Briefing number:</b>	OC181171
<b>Attention:</b>	Hon Julie Anne Genter Associate Minister of Transport  cc: Hon Phil Twyford Minister of Transport	<b>Security level:</b>	In-confidence

### Minister of Transport's office actions

- Noted*
 *Seen*
 *Approved*
- Needs change*
 *Referred to*
- Withdrawn*
 *Not seen by Minister*
 *Overtaken by events*

## Purpose of report

1. This briefing accompanies the draft Cabinet paper (the paper), *Legislation to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)*, which we are providing for your review ahead of cross-party consultation. We are seeking your feedback on the paper.

## Context

2. CORSA is a global market-based measure to reduce and offset international aviation emissions from 2021. In October 2016, the International Civil Aviation Organization (ICAO) agreed to introduce CORSA and New Zealand agreed to participate in the scheme. New Zealand now needs to implement CORSA domestically.
3. In June 2018, we provided you with a briefing on a proposed legislative vehicle for CORSA (OC180315 refers). We recommended that legislation be drafted for CORSA, to which you agreed. Minister Twyford has agreed that CORSA will be part of the Civil Aviation Bill.
4. Following your agreement, we have prepared a paper for you to present to the Cabinet Economic Development Committee (DEV). The paper seeks Cabinet reconfirmation of the 2016 decision that New Zealand participates in CORSA from 2021. Given reconfirmation, the paper then seeks approval for Parliamentary Counsel Office (PCO) to draft legislation to implement CORSA in New Zealand.

## Noteworthy matters within the paper

5. We would like to draw your attention to a number of matters within the paper.

### *The New Zealand Emissions Trading Scheme will not be part of CORSA*

6. During our consultation with other departments, a number of questions were raised regarding the relationship between CORSA and the New Zealand Emissions Trading Scheme (NZ ETS). The paper does not provide or propose for the NZ ETS to be part of CORSA at this stage. We have not previously traversed this matter with you.
7. The NZ ETS falls within the portfolio responsibilities of the Minister of Climate Change. Consequently, future decisions about the inclusion of the NZ ETS within CORSA will need to be made by Hon James Shaw and the Ministry for the Environment (MfE).
8. If New Zealand wishes to make an application to ICAO for the NZ ETS to become an eligible emissions unit provider for CORSA, this would likely have wider implications for New Zealand's unit supply, carbon accounting, future carbon budgets and our Nationally Determined Contributions (NDCs).
9. There are ongoing negotiations in the United Nations Framework Convention on Climate Change (UNFCCC), as well as the domestic development of the Zero Carbon Bill and changes to the Climate Change Response Act 2002. As a result, the Ministry of Transport (the Ministry) and MfE consider that it would be premature to submit the NZ ETS as a source of emissions units for CORSA at this stage.

### *Potential costs and risks of implementing CORSA*

10. The paper contains information on the potential costs and risks of implementing CORSA domestically. Most of these concerns were recognized in the September 2016 Cabinet paper (EGI-16-MIN-0232 refers) when Cabinet agreed to New Zealand participating in CORSA from its commencement.

11. Since 2016, agencies have raised additional concerns, such as the cumulative impact of various border fees and levies on consumers. This is reflected in the paper, however, the inclusion of this information is not for the purpose of re-examining New Zealand's participation in CORSIA. The information is included to make Cabinet aware of the potential impacts that could arise out of implementing CORSIA in New Zealand.

*Regulatory and information sharing roles of government agencies*

12. We are proposing that the Ministry will be the principal regulator of CORSIA. The Ministry will oversee the administrative, monitoring, reporting, verification and offsetting requirements of the proposed legislation.
13. The proposed legislation will include provision for information sharing between the Ministry and MfE, Civil Aviation Authority (CAA) and the Ministry of Business, Innovation and Employment (MBIE), to support the Ministry's administrator role for CORSIA.
14. We have discussed information sharing and its potential scope with the above agencies. We have noted there needs to be enabling legislative provision that provides for interagency engagement, given some of the information we might need to share or discuss could be commercially sensitive. This could also future proof the legislation. We expect the information sharing provisions will be clarified as drafting of the legislation proceeds.

Agency	Minister	Proposed information sharing relationship with the Ministry of Transport
Ministry for the Environment	Minister for Climate Change	As part of CORSIA, New Zealand-registered aeroplane operators will need to purchase emissions units from international carbon markets. The Ministry expects that it may need to draw on the expertise of MfE's international carbon markets team (part of MfE's climate directorate). This could require formalised information-sharing obligations to be established.
Civil Aviation Authority	Minister of Transport	The Ministry will oversee the administrative, monitoring, reporting, verification and offsetting requirements of CORSIA. In order to fulfil these duties, the Ministry will need to perform order of magnitude checks to ensure the completeness and validity of the data reported by aeroplane operators. The CAA has information on aeroplane operators, including flight and fleet data, that the Ministry could cross-check against when performing its order of magnitude checks. This will help ensure that New Zealand is fulfilling its commitments under CORSIA. Consequently, an information-sharing role may need to be established.
Ministry of Business, Innovation and Employment	Minister of Energy and Resources	The Ministry will oversee the administrative, monitoring, reporting, verification and offsetting requirements of CORSIA. In order to fulfil these duties, the Ministry will need to perform order of magnitude checks to ensure the completeness and validity of the data reported by aeroplane operators. MBIE has information on aviation fuel usage that the Ministry could cross-check against when performing its order of magnitude checks. This will help ensure that New Zealand is fulfilling its commitments under CORSIA. Consequently, an information-sharing role may need to be established.

*The Ministry has consulted on the paper*

15. We consulted a number of government agencies on the paper. Those agencies' feedback has been reflected throughout the body of the paper.
16. We also consulted Air New Zealand on certain sections of the paper. Air New Zealand provided information on its views and operations that we have included in the paper and appendices. Some of the information is commercially sensitive and will need to be redacted when the Cabinet paper is proactively released to the public.
17. We engaged with tourism and trade industry associations, including Seafood New Zealand Ltd, Horticulture New Zealand, the Meat Industry Association, the Customs Brokers and Freight Forwarders Federation of NZ, and the Tourism Industry Aotearoa. We informed them that CORSIA could result in increased costs for their respective industries. There were no specific concerns or risks raised by these groups.

*The Ministry will provide a regulatory impact summary assessment separately*

18. The paper notes there is an attached regulatory impact summary assessment. We are finalising the regulatory impact summary assessment for the implementation of CORSIA and will provide a draft to your office in the week of 1 July 2019.

**Recent publicity on international aviation emissions**

19. There has been an increase in local media interest regarding the international aviation sector's emissions this year. We have fielded several media enquiries, and have noted the government's work to implement CORSIA.
20. CORSIA has also increasingly been receiving international media coverage. At its annual general meeting in June 2019, the International Air Transport Association (IATA)<sup>1</sup> urged States to participate in CORSIA from its commencement in 2021.

**Next steps**

21. Following your feedback on the paper, officials will revise the paper in advance of cross-party discussions.
22. We recommend you taking the paper to DEV on 31 July 2019. This allows time for cross-party discussions. It will also give PCO sufficient time to draft the CORSIA-related sections that will be included in the Civil Aviation Bill.
23. In order to be considered by DEV on 31 July 2019, the paper will need to be submitted to the Cabinet Office by 10am on Thursday 25 July 2019.

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<sup>1</sup> IATA is a trade association that represents around 290 international airlines (or 82 percent of total air traffic).

## Recommendations

24. The recommendations are that you:

- (a) **provide** feedback on the draft Cabinet paper Yes/No
- (b) **meet** with officials to discuss the draft Cabinet paper Yes/No
- (c) **note** that we will provide your office with a draft regulatory impact summary assessment for the implementation of CORSIA in the week of 1 July 2019
- (d) **note** that officials recommend the Cabinet paper be considered by the Cabinet Economic Development Committee (DEV) on the 31 July 2019 to ensure sufficient time for cross-party discussions and drafting by Parliamentary Counsel Office
- (e) **note** that officials will provide speaking points for you before the DEV meeting.

Glen-Marie Burns  
Manager, Urban Development and Environment

**MINISTER'S SIGNATURE:**

**DATE:**