



Cabinet Economic Growth and Infrastructure Committee

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.

International Transport and Climate Change Negotiation Mandates

Portfolios Transport / Climate Change Issues

On 14 September 2016, the Cabinet Economic Growth and Infrastructure Committee (EGI):

- 1 **noted** that the International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO) are the forums responsible for regulating CO₂ emissions from international aviation and maritime, respectively;
- 2 **noted** that in light of momentum from the Paris Agreement, concluded in December 2015, it is critical that ICAO and IMO make progress in managing emissions in their respective sectors to maintain their authority to regulate this aspect of their sectors
- 3 **agreed** that New Zealand should continue to support ICAO and IMO as the lead organisations for deciding and implementing emissions reduction measures, and for determining any emissions reduction target for their respective sectors;

General principles for ICAO and IMO engagement in climate change negotiations

- 4 **noted** that in November 2015, EGI agreed to the general principles for New Zealand's engagement in climate change negotiations [EGI-15-MIN-0128];
- 5 **agreed** that the general principles for New Zealand's engagement in climate change negotiations, as modified below, should set the guiding parameters for New Zealand's engagement in ICAO and the IMO, and New Zealand should seek to ensure measures agreed by these bodies that are:
 - 5.1 environmentally effective – consistent with the goal of transitioning to a low-emissions global economy so as to keep the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels;
 - 5.2 durable – capable of attracting agreement, responding dynamically to evolving circumstances in the sector, and improved scientific understanding of the global emissions challenge;
 - 5.3 transparent – actions taken must be recorded, verified and reported;
 - 5.4 applicable to all – measures must apply to vessels/aircraft from all countries on the same legal footing;

- 5.5 fair – vessels/aircraft should face similar relative costs from their actions to manage emissions ;
 - 5.6 cost-effective – measures must facilitate cost-effective action so as to deliver global benefits at least cost;
 - 5.7 environmentally credible – designed to ensure double issuance, double counting and double claiming of emission reductions is avoided;
 - 5.8 flexible – allow emitters to determine for themselves how they achieve the obligations;
 - 5.9 consistent – with future updates in New Zealand’s United Nations Framework Convention on Climate Change negotiation mandate as relevant;
- 6 **agreed** that New Zealand's negotiation and engagement on matters relating to climate change will be consistent with New Zealand's overall negotiating mandate on climate change issues and related financial measures;

Decisions for ICAO

- 7 **noted** that if ICAO adopts the Resolution for a global market based measure (Global Measure) costs will arise for both New Zealand’s trade and tourism industries;
- 8 **agreed** that New Zealand will support adoption of the Global Measure;
- 9 **noted** that there are potential trade-offs that New Zealand must consider in determining whether to voluntarily participate in Phase I of the Global Measure;
- 10 **noted** the cost of New Zealand’s participation will depend on the level of emissions generated above the baseline amount calculated for 2018 and the final details of the methodology to calculate operator liability;
- 11 **noted** that if New Zealand is required to offset a 10 percent increase in emissions above its baseline [REDACTED]
- 12 **noted** that it is not possible to determine and quantify the cost of the Global Measure:
- 12.1 that may be passed onto consumers flying to and from New Zealand on other non-New Zealand airline operators;
 - 12.2 to our tourism and trade sectors;
 - 12.3 in respect of its implementation costs for monitoring, reporting and verification;
- 13 **noted** that the impact on air freight will depend on how Air New Zealand chooses to pass on the potential cost of offsets from the Global Measure;
- 14 **noted** that if New Zealand voluntarily participates in Phase I of the Global Measure it will need to communicate this commitment to the ICAO Secretariat;
- 15 **agreed** that New Zealand will voluntarily participate in Phase I of the Global Measure starting from 2021, provided other developed countries and the majority of major aviation states also agree to do so;

- 16 **agreed** that the mandate for the delegation at the ICAO meeting(s) includes:
- 16.1 supporting adoption of the Global Measure Resolution at the 39th ICAO Assembly provided its final design is substantially similar to the Proposed Measure;
 - 16.2 seeking instructions from the Minister of Transport, in consultation with relevant portfolio ministers, if material changes are made to the Measure before adoption that are not covered by the negotiation mandate;
 - 16.3 supporting an approach to participation in the Global Measure under which participation is voluntary in Phase I and mandatory in Phase 2 except for exempted states;
 - 16.4 communicating New Zealand's intention to participate in Phase I of the Global Measure starting in 2021 by whatever communication method is agreed, provided other developed countries and the majority of major aviation states also agree to do so;
 - 16.5 resisting any efforts to prescribe developed country participation in Phase I of the Global Measure;
 - 16.6 maximising the recognition of individual liability in Phase 2 of the Global Measure;
 - 16.7 maximising the certainty of the fundamental settings of the Global Measure in any review process;
 - 16.8 supporting a de minimis exemption that excludes countries with a global share of revenue/tonne/kilometres of around 0.5 percent;
 - 16.9 encouraging ICAO outcomes that:
 - 16.9.1 maximise post-2020 supply of units;
 - 16.9.2 prevent double counting of emission reductions;
 - 16.9.3 align standards of environmental integrity applicable to eligible units with those applicable to use of units to achieve nationally determined contributions under the Paris Agreement;
 - 16.10 supporting the appropriate method to identify when states will participate and how they may do this;
 - 16.11 supporting a pilot of the Global Measure provided it does not undermine the integrity of the Global Measure, or delay its implementation;
- 17 **noted** that the Minister for Transport expects to report back to EGI on the ICAO Global Measure;

Decisions for IMO

- 18 **noted** that once work under the IMO has progressed to the stage where New Zealand will need to consider binding decisions, the Minister of Transport expects to report to EGI;

- 19 **agreed** that the delegation at IMO meeting(s) will seek to encourage the IMO to take steps to ensure the maritime sector supports and does not undermine the goals of the Paris Agreement, and that the delegation will be flexible, and realistic, about the form that support might take.

Gerrard Carter
Committee Secretary

Present:

Hon Bill English (Chair)
Hon Steven Joyce
Hon Paula Bennett
Hon Amy Adams
Hon Dr Nick Smith
Hon Nathan Guy
Hon Michael Woodhouse
Hon Todd McClay
Hon Peseta Sam Lotu-Iiga
Hon Nicky Wagner
Hon Louise Upston
Hon Paul Goldsmith
Hon Te Ururoa Flavell

Officials present from:

Office of the Prime Minister
Office of the Minister for ACC
Office of the Minister of Local Government
Officials Committee for EGI

Hard-copy distribution:

Cabinet Economic Growth and Infrastructure Committee
Office of the Prime Minister
Deputy Chief Executive, Policy, DPMC
Melleny Black, PAG, DPMC
Minister of Foreign Affairs