



In Confidence

Cabinet

CAB Min (01) 27/5A

Minute of Decision

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Convenor, Ministerial Group on Climate Change
(Hon Pete Hodgson)

Copies to:

Prime Minister
Deputy Prime Minister
Minister for Economic Development
Minister of Finance
Minister of Foreign Affairs and Trade
Hon Sandra Lee
Minister of Agriculture
Minister of State Services
Minister of Research, Science and Technology
Minister of Forestry
Minister of Energy
Attorney-General
Minister of Maori Affairs
Associate Minister of Foreign Affairs and Trade
(Hon Matt Robson)
Minister for the Environment
Minister of Transport
Chief Parliamentary Counsel
Legislation Coordinator
Secretary, POL

Climate Change: Next Steps for Ratification of the Kyoto Protocol

On 3 September 2001, following reference from the Cabinet Policy Committee (POL), Cabinet:

- 1 **noted** that, barring major changes, the Kyoto Protocol is expected to be technically ratifiable by December 2001 following adoption of the legal texts at COP7, but that some risks remain in confirming the political agreement reached at COP6.5, in particular agreement on a process to develop a binding compliance regime and clarification of some technical aspects of the flexibility mechanisms;
- 2 **noted** that New Zealand was amongst the majority of developed countries, including the European Union, Canada, Switzerland, Norway and Japan, that made a political statement of commitment to funding for Protocol activities in support of developing countries and that New Zealand's share of this commitment is in the order of US\$2.5 million per annum by 2005;

- 3 **noted** the contents of a note on the preliminary results of modelling commissioned by officials on the economic impacts of New Zealand's obligations under the Protocol, attached as Annex 3 to POL (01) 227;
- 4 **noted** that there are two options for how to proceed with consultation, decisions on the policy mix and the introduction of legislation to ratify the Protocol:
- 4.1 a comprehensive approach, whereby consultation occurs on the policy and then a National Interest Analysis and any required legislation is introduced prior to ratification;
- 4.2 a staged approach, whereby the consultation and the development and introduction of the National Interest Analysis and legislation for ratification (Act I) occurs broadly in parallel with further consultation on development of the policy mix with any legislation required to implement the policy mix (Act II) being introduced at around the time of ratification;
- 5 **agreed** to adopting a staged approach in accordance with the timeline set out in the annex attached to this minute to provide sufficient opportunity for consultation on the issue of whether to ratify the Protocol and the preferred policy mix;
- 6 **directed** officials to begin preparation of a legislative approach to allow New Zealand to ratify the Protocol by the time of the World Summit on Sustainable Development in Johannesburg in early September 2002;
- 7 **noted** that a formal decision on whether to ratify the Protocol in early 2002 should take into account the following considerations:
- 7.1 outcomes of consultation;
- 7.2 policy means by which the Government intends to meet its commitments;
- 7.3 final National Interest Analysis and the economic implications of ratification, including costs and benefits of policy measures, international competitiveness effects and economic development opportunities;
- 7.4 environmental credibility of the Protocol as the basis for long term action;
- 8 **directed** officials to report to the Cabinet Policy Committee by 5 October 2001 on:
- 8.1 the legislation required for ratification (Act I in paragraph 4.2 above) and fiscal implications of ratification;
- 8.2 the approach for policy development and consultation, including the initial consultation on policy objectives, existing/proposed measures in the areas of energy efficiency, transport and waste and research in agriculture, and the options for comprehensive market-based economic incentive policy measures; and
- 8.3 the consultation document(s), including the draft National Interest Analysis, to support the consultation on the ratification legislation and the initial consultation on the policy objectives and options;

- 8.4 a process for Ministers to engage with business on the issues in paragraphs 8.1-8.3.

Secretary of the Cabinet

Reference: CAB (01) 485; POL Min (01) 22/2

Secretary's Note: Cabinet added the work requested in paragraph 8.4 and amended the last line of the timeline in the Annex attached to the minute. This minute accordingly amends POL Min (01) 22/2.