

## Proactive Release

Date: 11 March 2022

The following Cabinet paper and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs

Title	Reference
Aotearoa New Zealand's International Climate Finance Commitment 2022-2025 Minute of Decision	CAB-21-MIN-0410 CBC-21-MIN-0112

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction codes:

- 6(a): to avoid prejudicing the security or defence of New Zealand or the international relations of the New Zealand Government;
- 6(b)(i): to protect the passing of information from another government on a confidential basis;
- 9(2)(f)(iv): to protect the confidentiality of advice tendered by Ministers of the Crown and officials; and
- 9(2)(j): to avoid prejudice to negotiations.



# Cabinet

## 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.*

### Aotearoa New Zealand's International Climate Finance Commitment 2022-2025

Portfolio                      Foreign Affairs

On 11 October 2021, following reference from Cabinet Business Committee, Cabinet:

#### Background

- 1        **noted** that New Zealand's core interests with regard to climate finance include:
  - 1.1     meeting the goals of the Paris Agreement through ensuring the long-term health and integrity of the Agreement;
  - 1.2     preserving and enhancing New Zealand's influence and interests abroad;
  - 1.3     standing with the Pacific on climate change;
- 2        **noted** New Zealand's climate finance commitments established by the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, including that climate finance should demonstrate an increase on previous efforts, be predictable, and be new and be additional to existing finance;

#### Timing of a climate finance announcement

- 3        **noted** the importance of ambitious climate finance commitments to a successful outcome at the next Conference of Parties (COP26) to UNFCCC on global mitigation ambition, the strong expectation by Parties, and the <sup>s6(a)</sup> ~~strong~~ expectation by Parties, and the <sup>s6(a)</sup> that New Zealand announce an increased climate finance commitment prior to COP26;
- 4        **noted** the expectation that New Zealand will play its part in supporting a successful COP26, which is being held in Glasgow from 1-12 November 2021, by announcing a new climate finance commitment prior to the event;
- 5        **agreed** New Zealand announces a new climate finance commitment prior to COP26;
- 6        **noted** that an announcement prior to COP26 would require an out-of-cycle budget bid, meaning the allocation of funding is not able to be weighed against other government funding priorities;

**Quantum of a new climate finance commitment**

- 7 **noted** that officials assess that a credible fair share of the collective US\$100 billion per annum climate finance goal for developed countries as being around 0.38 percent of the total goal (or NZ\$2.25 billion over four years), comprising a balance of grant and non-grant finance, and including both public and private sources;
- 8 **noted** that a new New Zealand climate finance commitment based on an increased grant component and expectation of contribution from other sources could deliver a fair share;
- 9 **noted** that current International Development Cooperation (IDC) baselines can contribute \$500 million but that, beyond this, drawing on further IDC baselines would require substantial and most likely unsustainable reprioritisation;
- 10 **agreed** that New Zealand's climate finance commitment be a \$1.3 billion commitment over the period 2022-2025 comprising \$500 million from IDC baselines and \$800 million new funding;
- 11 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 10 above, with a corresponding impact on the operating balance and net core Crown debt:

Multi-year appropriation	\$m – increase/(decrease)			
<b>Vote Foreign Affairs Minister of Foreign Affairs</b>	<b>2021/22 to 2023/24</b>			
Non-departmental Other Expenses:	450.00			
International Development Cooperation: MYA (funded by revenue Crown)				
Annual appropriation	\$m – increase/(decrease)			
<b>Vote Foreign Affairs Minister of Foreign Affairs</b>	<b>2021/22</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Non-departmental Other Expenses:				
International Development Cooperation: Annual Appropriation (funded by revenue Crown)	-	-	250.00	100.00

- 12 **noted** that the indicative spending profile for the increase to the multi-year appropriation described in paragraph 10 above is as follows:

	\$m – increase/(decrease)		
<b>Indicative annual spending profile</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Non-departmental Other Expenses:			
International Development Cooperation: Annual Appropriation (funded by revenue Crown)	-	200.00	250.00

- 13 **approved** the following changes to appropriations to provide for administering the new climate finance commitment described in paragraph 10 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Foreign Affairs Minister of Foreign Affairs	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Departmental Multi-Category Output Expenses MCA: Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders: Management of New Zealand's International Development Cooperation, (funded by Revenue Crown	-	10.00	12.50	12.50	5.00

- 14 **agreed** that the changes to appropriations for 2021/22 set out in paragraphs 11 to 13 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 15 **noted** that on 30 August 2021, Cabinet agreed to the establishment of a Climate Emergency Response Fund as part of Budget 2022 [CAB-21-MIN-0349];
- 16 **noted** that the funding available in the Climate Emergency Response Fund has yet to be established;
- 17 **agreed** that, once the funding in the Climate Emergency Response Fund is established, the expenses incurred above will be a charge against the Climate Emergency Response Fund, and that, in the interim, the expenses will impact on the operating balance and net core Crown debt;

### Implementation

- 18 **agreed** that this new finance will be ring-fenced within the IDC appropriations to be spent on climate-specific initiatives;
- 19 **agreed** that at least 50 percent of New Zealand's grant-based climate finance should be spent on adaptation, and at least 50 percent should be spent in the Pacific;
- 20 **noted** that further details of how new funding will be allocated will be determined through established IDC Programme planning and programming processes;

### Sustainable finance

- 21 **noted** an intention to start aligning New Zealand's future climate finance commitments with the five-year Paris Agreement ambition cycle, and that New Zealand's next commitment would be for the five year period 2026-2030;
- 22 **directed** officials to establish an interagency officials working group to consider options for sustainable and progressive increases to climate finance in advance of the next climate finance commitment period from 2025, and to report back by December 2022, with the options to consider including:
- 22.1 identifying new sources of finance such as incentivising private finance;

- 22.2 predictable budgeting;
- 22.3 delivery options additional to the New Zealand Aid Programme;
- 22.4 domestic policy changes that support international climate financing;

### Reporting and measuring the impact of climate finance

- 23 **directed** officials to report back by December 2022 on the approach New Zealand will use to measure and report on the effectiveness of its climate finance and to mobilise additional climate finance.

Michael Webster  
Secretary of the Cabinet

Proactively released  
by the Minister of Foreign Affairs