



Cabinet

Minute of Decision

McGuinness Institute title:
[CAB-21-MIN-0434] Agreement to
Update New Zealand's First
Nationally Determined Contribution
(NDC1) under the Paris Agreement

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Agreement to Update New Zealand's First Nationally Determined Contribution (NDC1) under the Paris Agreement

Portfolio Climate Change

On 26 October 2021, Cabinet:

Background

- 1 **noted** that the Paris Agreement requires New Zealand to set progressively more ambitious Nationally Determined Contributions (NDCs) with a view to achieving the purpose of the Agreement, including the aim to hold the increase in the global average temperature to well below 2°C and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels;
- 2 **noted** that New Zealand's current first Nationally Determined Contribution (NDC1) is an economy-wide, all gases target to reduce emissions by 30 percent below 2005 levels by 2030, based on a budget approach;
- 3 **noted** that the Climate Change Commission has advised that the current NDC1 is not compatible with Aotearoa making a contribution to global efforts under the Paris Agreement to limit the increase in global average temperature to 1.5°C above pre-industrial levels (Climate Change Commission's recommendation 29);
- 4 **noted** that the Climate Change Commission's recommendation 30 is that:
 - 4.1 in order to be more likely to be compatible, the contribution Aotearoa makes over the NDC period should reflect a reduction of net emissions of much more than 36 percent below 2005 gross levels by 2030, with the likelihood of compatibility increasing as the NDC is strengthened further;
 - 4.2 how much the NDC1 should be strengthened should reflect the tolerance for climate and reputational risk and economic impact, and principles of effort sharing, which require political decisions;
 - 4.3 any changes to the NDC should be developed in partnership with iwi/Māori, to give effect to the principles of Te Tiriti o Waitangi/The Treaty of Waitangi and align with the He Ara Waiora framework;

- 5 **noted** that the Climate Change Commission's recommendation 31 is that the government should:
- 5.1 continue to enable the NDC to be met through a combination of domestic emission reductions, domestic removals, and the use of international carbon markets;
 - 5.2 report annually on how it plans to meet the NDC, including the balance of planned domestic emission reductions, removals, and offshore purchasing;
 - 5.3 clearly communicate its strategy for purchasing offshore mitigation to meet the NDC and how it will identify and manage fiscal and other risks and their consequences;
- 6 **noted** that the Climate Change Commission's recommendation 32 is that:
- 6.1 the government should continue to define the NDC on the basis of all greenhouse gases using the most recent IPCC global warming potentials adopted by all Parties to the UNFCCC;
 - 6.2 if the NDC is updated, the government should express it on a basis that is consistent with how emissions will be reported in the national greenhouse gas inventory from 2021 – 2030;
- 7 **noted** that, in response to the Climate Change Commission's advice, the government has publicly stated it will update NDC1 in 2021;

An updated NDC1

- 8 **noted** that, after applying a range of global equity principles against various NDC1 levels, officials advised that the more NDC1 is strengthened beyond 36 percent, the more consistent it would be with global efforts to limit temperature rise to 1.5°C;
- 9 **noted** that the Minister of Climate Change recommends NDC1 be updated to a new headline target to reduce net emissions 54 percent below gross 2005 levels by 2030, to represent a credible contribution to the global goal to pursue efforts to hold temperature rise to 1.5°C;
- 10 **noted** that meeting an updated NDC1 to reduce net emissions 54 percent below gross 2005 levels by 2030 will require 167 Mt of emissions reductions between now and 2030, with 47Mt domestic abatement expected if the Climate Change Commission's demonstration pathway is achieved;
- 11 **agreed** that the government update NDC1 to a new target to reduce net emissions by 50 percent below gross 2005 levels by 2030, equating to a provisional emissions budget of 571 Mt CO₂e;
- 12 **noted** that the Minister of Climate Change also proposes that the NDC1 include that New Zealand will commit to net-zero, all gases by 2050;
- 13 **agreed** not to include a commitment to net-zero, all gases by 2050, in the NDC at this point;
- 14 **noted** that the emissions budgets and the emissions reductions plans, set under the Climate Change Response Act 2002, will set the trajectory for domestic emissions reductions and removals;
- 15 s 9(2)(f)(iv)

- 16 s 9(2)(f)(iv)
- 17 **noted** that the Climate Change Commission has advised that the current or an updated NDC1 cannot be met through domestic climate change action alone and requires international cooperation;
- 18 **noted** that the remaining abatement required, beyond domestic emissions reductions and removals, to meet the updated NDC1 will need to come via international cooperation;
- 19 **agreed** to complement domestic action with international cooperation to access offshore mitigation, taking a portfolio approach that focuses on sustainable development;
- 20 **noted** that officials have provided estimates of the potential costs of offshore abatement required to meet the updated NDC1, using linking with emission trading schemes as a proxy for the overall cost of meeting an updated NDC1:
- 20.1 for an NDC1 of 54 percent, this is in the range of \$9.3-\$16.3 billion between now and 2030;
 - 20.2 for an NDC1 of 49 percent, it is in the range of \$7.5 to \$13.2 billion between now and 2030;
 - 20.3 for an NDC1 of 45 percent, it is in the range of \$6 – \$10.6 billion between now and 2030;
- 21 **noted** that the accompanying paper *Progressing International Cooperation to Reduce Emissions and Complement Domestic Action* [CAB-21-SUB-0435] seeks further decisions from Cabinet on international cooperation to access offshore mitigation;
- 22 **agreed** to technical decisions on how New Zealand will express and account for the updated NDC1, including that:
- 22.1 New Zealand updates NDC1 using the global warming potentials from the IPCC's fifth assessment report;
 - 22.2 New Zealand calculates the provisional NDC1 budget using a line from the previous target (for NDC1, this is New Zealand's 2020 target to reduce emissions 5 percent below 1990 levels), using the budget approach shown in Appendix 1 of the submission attached to CAB-21-SUB-0434;

Communications and next steps

- 23 **noted** that on 9 August 2021, Cabinet:
- 23.1 noted that there has already been engagement with the public on NDC1, including the government's 2015 consultation prior to setting the current NDC and the Climate Change Commission's consultation on its draft advice in early 2021;
 - 23.2 agreed to not undertake a public consultation process on updating NDC1;
- [CAB-21-MIN-0311]
- 24 **noted** that the current NDC1 update has been discussed at the National Iwi Chairs Forum, and that Cabinet directed officials to continue to engage under Pou Take Āhuarangi of the National Iwi Chairs Forum on the NDC process [CAB-21-MIN-0311];

- 25 s 9(2)(f)(iv)
- 26 **agreed**, for transparency and comparability, to communicate the updated NDC1 as both an emissions budget and a point-year target against baseline years 1990 and 2005;
- 27 **agreed** that an updated NDC1 should be announced on 31 October 2021, to align with the start of the next meeting of the Parties to the Paris Agreement and the 26th Conference of the United Nations Framework Convention on Climate Change (COP26), which will be held in Glasgow from 31 October 2021;
- 28 **approved** the submission (attached as Appendix 2 to the paper under CAB-21-SUB-0434) to the United Nations Framework Convention on Climate Change as New Zealand's updated NDC1, to be uploaded to the NDC registry once the updated NDC1 has been announced, subject to minor editorial or technical changes if needed.

Michael Webster
Secretary of the Cabinet

Proactively released