

An introductory thought: the Government cannot at present afford to reduce the cost of doctors' visits by \$10(cost of the order of \$250 million). (see below)

The Paris Agreement - what it is

- A strong and universal political consensus
- Goals **informed** by science – 2/1.5 degrees (Article 2) and emissions neutrality by the end of the century
- **Finance** to help developing countries, and **adaptation** given equal prominence to mitigation [emissions reduction] itself (Article 2).
- Recognition, and importance of the role of non-state actors
- Global peaking and then [carbon neutrality] (Article 4)
- NDCs to be a 'progression' from the previous one and reflect 'highest ambition'.
- Developed countries *should* [not *shall*]do economy-wide absolute targets; developing countries to get there over time.
- The main focus of Paris is domestic mitigation (Article 4) with international markets/offsets (Article 6) serving the purpose of enabling higher ambition.
- All countries 'should strive to' do long-term (horizon 2050) low emissions development strategies (Article 4), and communicate them by 2020 (Article 4 and the COP decision adopting the Agreement)

Note that negotiations are in a technical (though still politicised) phase – sorting out the rules that will make the Agreement implementable. Topics include accounting, transparency, timeframes, markets etc. A major contentious theme is how much differentiation or bifurcation between developed and developing countries will be reflected in such disciplines as content of NDCs, reporting and verification.

What it is not

- **A straitjacket on NZ's domestic policies**
- A scientifically rigorous set of provisions. The wording is ambiguous because parties could not agree on anything clearer. **There is no agreed definition or interpretation of two key words - 'progression' and 'ambition'. Or of the 'balance of sources and sinks'.**

A prevalent view is that the Agreement places many constraints on us, on two grounds

- the Agreement says we can't/couldn't/ do X
- X would damage our reputation

Mostly these assertions are poorly substantiated, or exaggerated or plain wrong. None are proven facts. Some are based on *interpretations* of the PA rather than on its explicit wording. Only the COP [Conference of the Parties] can give authoritative interpretations – and that requires a consensus, of which NZ would be a part.

A suggested principle: apply the Paris Agreement so as to maintain maximum flexibility in NZ policies while remaining fully consistent with the Agreement's purpose. This would allow NZ to introduce an optimal set of policies and measures to achieve our transition.

A word on reputation. A few negotiators getting irritated in UNFCCC meetings, or criticism from Climate Action Tracker and the like does not amount to reputational damage we need to be worried about. We do need to be confident, and able to justify, the choices we make in terms of environmental integrity and our 'fair share' of global efforts. This includes being well grounded in science – e.g. if we wanted to make a distinction between long-lived and short-lived gases. Compatibility with other countries' accounting for linking purposes could be worked through.

What now makes sense

The PA encouragement to parties to submit long term low carbon development strategies, with a 2050 horizon by 2020, is well aligned with the new government's policies. The Government is talking in terms of a transition and [carbon][emissions] neutrality by 2050.

The timeframe of climate change policies under the Paris Agreement is unprecedented in public policy. So, it's important to use the opportunity to put ours on a sound basis.

So a zero-based look at NZ's transition is an obvious step. Discard the past baggage from the Kyoto era and assume the Paris Agreement had only just been agreed. What would NZ now submit as an NDC? Most probably it would be our domestic transition plan, with a target achievable at home, and not one where we would envisage 80% being achieved through international offsets or other forms of carbon markets. In this we would be joining most other countries. It would render pointless the self-flagellation NZ indulges in over its high percentage of renewable electricity and the high proportion of its emissions coming from agriculture. The former should be a source of pride, and the latter should not be a disadvantage, providing we are at world's best practice on emissions intensity.

Note that NZ's current position makes us a complete outlier. If we have to purchase our way to our 2030 target, (approx. 160 million tonnes shortfall) the order of magnitude could be \$15 billion over the 10 years from 2020 – all that assuming that we will get a well-supplied and affordable international market. If we can't find \$10 now for doctors' visits, is it really feasible to expect that scale of money being found, then spent offshore with no benefit to the NZ transition, jobs, etc.

An important issue – to what extent should we make international and domestic aspects of our NDC fungible? There is no requirement to do this in Paris. The international component can be made separate, whether or not it is linked to carbon markets. We would thus add to our domestic transition targets our additional contribution to developing countries' transitions. It could be expressed in several ways.

After working out where we want go (our transition pathway) we would need to look at how we can get ourselves there under the PA – we may need to make an orderly transition to NDCs that better reflect our own needs, given that we've already tabled our 2030 one. That is the point of the 'N' - *nationally* determined.

Contrary to some assertions we don't have to convince all 200 parties to the Paris Agreement before changing anything, whether accounting methods or separate treatment of gases. **The Paris Agreement should be seen as enabling rather than restricting.** In any case there is also the option of dual accounting.

A note on carbon markets

Progress on a fully multilateral carbon market within the UNFCCC negotiations is likely to be very slow.

Much faster progress will be made among like-minded countries including via the Asia Pacific Carbon Markets Roundtable, in which NZ is a leading participant.

This work is currently behind a veil of secrecy. Even the countries NZ is talking with have not been made public. But the secrecy has no real rationale, so the veil is likely to be lifted over the next few months, either voluntarily or failing that via appeals to the Ombudsman. Note that the government has unilaterally revoked the earlier secrecy surrounding forestry so there is a precedent.

Implications for wind energy

Are quite simple. A focus on the domestic transition, as outlined here – the more ambitious the better - would be the best outcome for wind energy, because this would be expected to generate a higher internal carbon price, and /or regulation favourable to renewable energy.

The worst outcome would be for NZ to have unlimited access to international carbon markets which might end up with a lower carbon price in NZ. Later, as decarbonisation in NZ progresses, there could be advantages in access to international markets to *sell* offsets (cf joint implementation under the Kyoto Protocol).

Adrian Macey

Victoria University of Wellington

May 2018

Annex: NZ climate landscape 2018.

2018 NZ Climate Landscape

