

Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)



10 July 2024

OC240671

Hon Matt Doocey

Action required by:

Associate Minister of Transport

Wednesday, 17 July 2024

cc Hon Simeon Brown

Minister of Transport

INTERNATIONAL MARITIME ORGANIZATION - CLIMATE CHANGE NEGOTIATION MANDATE

Purpose

To provide for your comment on a draft Cabinet paper seeking agreement for a revised Cabinet mandate, and delegated Cabinet authority, for the upcoming International Maritime Organization (IMO) negotiations on measures to reduce greenhouse gas (GHG) emissions.

Key points

- In September and October 2024, IMO member states will continue to negotiate measures to reduce GHG emissions from international shipping.
- In 2025, we expect the IMO to agree a global fuel standard which will set a sinking lid on the carbon intensity of fuels used by ships. The form and rate of emissions pricing on GHG emissions from international shipping is less certain.
- New Zealand has a strong economic interest in the design of the measures, as 99% of New Zealand trade, by volume, is moved by international shipping.
- There is an opportunity to influence the design of these measures at the upcoming IMO negotiations. It is important that we seek to influence the final measure to protect our trade interests and Pacific objectives. To do this we need a revised negotiating mandate.

s 9(2)(j)

- The Cabinet paper also seeks delegated authority to amend the mandate and to provide further direction on the approach to negotiations, as needed. The use of Cabinet delegated authority may be required following an IMO workshop, due to be held in September, before

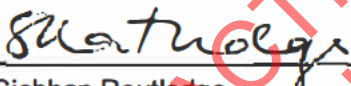
formal negotiations begin. The workshop will discuss the results of a Comprehensive Impact Assessment (CIA), for the measures to reduce GHG emissions, and may alter New Zealand's approach to the negotiations.


- A timeline for taking a revised Cabinet mandate to Cabinet is in **Annex 2**.

Recommendations

We recommend you:

- 1 **consider** the attached draft Cabinet paper and provide any feedback to officials by 17 July 2024
- 2 **agree** to the timeline and steps for drafting and lodging the Cabinet paper, in Annex 2 Yes / No
- 3 **agree** that officials can start departmental consultation on the draft Cabinet paper on 22 July 2024 Yes / No
- 4 **note** that officials will continue to engage with industry ahead of the negotiations in September and October 2024
- 5 **note** officials will work with agencies to identify the appropriate relevant portfolio Ministers for delegated Cabinet authority, to amend the Cabinet mandate, alongside the associate Minister of Transport
- 6 **note** that the draft Cabinet paper has been developed with the Ministry of Foreign Affairs and Trade (MFAT), the Ministry for Primary Industries (MPI) and Maritime New Zealand


 Siobhan Routledge
 Acting Deputy Chief Executive, Policy
 10 / July / 2024


 Hon Matt Doocey
 Associate Minister of Transport
 30.7.24

- Minister's office to complete:**
- Approved Declined
 - Seen by Minister Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive, Policy	s 9(2)(a)	
Nick Paterson, Manager, Environment		✓
Fran Burton, Senior Advisor, Environment		

INTERNATIONAL MARITIME ORGANIZATION - CLIMATE CHANGE NEGOTIATION MANDATE

Background to the upcoming IMO negotiations

- 1 The United Nations International Maritime Organization (IMO) is negotiating greenhouse gas (GHG) reduction measures for international shipping as agreed in its *2023 IMO Strategy on the Reduction of GHG Emissions from Ships* (the Strategy).
- 2 New Zealand has a strong strategic interest in these negotiations to protect our economic interests (99% of our trade, by volume, is moved by international shipping).
- 3 In January 2024, we briefed you ahead of the March 2024 negotiations on the measures [OC231131]. In September and October 2024, negotiations will continue for the finalisation of the measures in 2025, and entry into force by 2027.

In 2025 we expect the IMO to agree a global fuel standard that will set a sinking lid on the carbon intensity of maritime fuels. The form and rate of an economic measure is less certain

- 4 The final measures will include both an economic (emissions pricing) and technical element (GHG intensity regulation).
- 5 At the IMO negotiations in March 2024, there was increasing agreement on a Global Fuel Standard (GFS) as the technical measure to reduce the GHG intensity of marine fuels. We expect a GFS will be finalised as the technical measure in 2025.
- 6 However, there are still differing opinions regarding the form and rate of the final economic measure (i.e. feebate versus carbon levy mechanism). There is also disagreement regarding how any revenue generated should be spent (i.e. bridging the price gap between fossil and carbon neutral fuels versus funding climate change mitigation for Small Island Developing States (SIDS) and Least Developed Countries (LDCs)).
- 7 Industry is broadly supportive of developing measures through the IMO as this is New Zealand's best chance at shaping and influencing a global solution for reducing international shipping emissions. However, due to New Zealand's distance from its high-value markets, it could be at risk of disproportionate negative impacts unless the measures are designed proportionally and work to mitigate those impacts.

The negotiations at the IMO for the development and finalisation of measures will require a revised cabinet mandate

- 8 The existing negotiating mandate was agreed by Cabinet in 2021 [DEV-21-MIN-0115] (provided in **Annex 1**) and delivered a high-level negotiating direction for New Zealand's engagement in developing and adopting the Strategy.

9 s 9(2)(j)



s 9(2)(j)



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s 9(2)(j)



- 14 A timeline for taking a revised Cabinet mandate to Cabinet has been provided in the attached **Annex 2**.

The IMO will publish a Comprehensive Impact Assessment (CIA) for the possible emission reduction measures

- 15 The CIA will detail the economic impacts of the possible measures on states, including New Zealand, and will likely influence the scope of the negotiations.
- 16 The final CIA report will be published on 19 July 2024. Officials will provide you with further advice following the publication of the finalised results of the CIA, ahead of the negotiations in September and October.

Cabinet delegated authority to amend the revised Cabinet mandate may be required following the IMO CIA results workshop in September

- 17 The IMO will host a workshop on 4 and 5 September 2024 (two weeks before the negotiations begin) to discuss the results of the CIA. The discussions at the workshop may materially affect New Zealand's position and may also inform our position on the final form of the economic measure i.e. a feebate or carbon levy, due to the impacts this may have on New Zealand's economy and trade. However, there will not be enough time to consult Cabinet after the workshop on any material changes to New Zealand's position before the negotiations begin.

18



- 19 Therefore, the Cabinet paper requests Cabinet delegates authority to amend the mandate to you, as the Associate Minister of Transport and other relevant portfolio Ministers, to provide further direction to officials, as necessary, on New Zealand's position in the negotiations.

- 20 Officials are continuing to work with agencies to identify who the appropriate relevant Ministers would be, for delegated Cabinet authority, and will provide a further update on this shortly.

Industry supports a global-based approach to reduce international shipping emissions but are concerned about disproportionate impacts on New Zealand

- 21 Initial feedback from the industry was supportive as reaching an effective global approach to international shipping emissions, through the IMO, would be New Zealand's best chance at shaping and influencing a global solution for reducing intentional shipping emissions that works for New Zealand industry.

- 22 However, several concerns were raised by some stakeholders regarding increased costs for industry, and consumers. Some stakeholders also stated that the final measures should not be overly complex or costly and must be effective.

- 23 s 9(2)(i)

- 24 Officials will also continue to engage with industry ahead of the negotiations, particularly following the publication of the final report for the Comprehensive Impact Assessment, and after the IMO Workshop

Next steps

- 25 The Cabinet paper will have to be lodged no later than 22 August 2024 for Cabinet approval on 2 September 2024.

- 26 Following the conclusion of the September and October negotiations, officials will provide you further advice on the next steps, including advice on industry consultation and a report back to Cabinet on the final measures to determine its position.

- 25 The IMO is planning for negotiations on the measures to be finalised in 2025 with entry into force by 2027. Following the negotiations in September and October there will be another negotiations meeting held in spring 2025 to finalise the measures before the IMO Assembly in late 2025 to approve the measures.

- 26 The final measures will most likely be incorporated into Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) and be binding on New Zealand.

ANNEX 1 - CABINET MINUTE – IMO: CLIMATE CHANGE NEGOTIATION MANDATE (DEV-21-MIN-0115)

IN CONFIDENCE

DEV-21-MIN-0115



Cabinet Economic Development 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 Maritime Organisation: Climate Change Negotiation Mandate

Portfolio Transport

On 2 June 2021, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that the reduction of greenhouse gas (GHG) emissions from shipping is a critical component of achieving the temperature reduction goals of the Paris Agreement;
- 2 **noted** that the International Maritime Organisation (IMO) is the lead United Nations agency for deciding and implementing emissions reduction measures, and for determining any emissions reduction target for the maritime sector;
- 3 **noted** that some States have already signalled an intention to impose measures to reduce emissions from international shipping outside of the IMO;
- 4 **noted** that New Zealand is participating in IMO discussions on:
 - 4.1 the adoption of measures to reduce GHG emissions from international shipping;
 - 4.2 the revision of the Initial IMO Strategy for Reducing GHG Emissions from Ships (the Strategy);
- 5 **noted** that when New Zealand becomes party to Annex VI of the Prevention of Air Pollution from Ships (MARPOL) as intended [LEG-21-MIN-0058], the adoption of measures will involve binding legal obligations on New Zealand;
- 6 **noted** that decisions made at the IMO will have wider implications for the government, with potential impacts on trade and the broader environment beyond just GHG emissions;
- 7 **noted** that participation in international negotiations, and alignment with domestic efforts, requires additional resourcing across agencies;
- 8 **noted** that by 2024, the Climate Change Commission will review whether to include international shipping in New Zealand's national emissions budget;
- 9 **invited** the Minister of Transport to report back to DEV on the impacts to New Zealand of proposed IMO measures, and to seek direction on New Zealand's position ahead of any decisions to be taken at the IMO;

- 10 **agreed** that the Ministry of Transport establish and lead a dedicated team with representatives from relevant agencies (Ministry of Foreign Affairs and Trade, Maritime New Zealand, Ministry for the Environment, and Ministry for Primary Industries) to:
- 10.1 commission research to understand the impacts to New Zealand of proposed IMO measures;
 - 10.2 engage in discussions both internationally and domestically on reducing GHG emissions from shipping;
 - 10.3 prepare a national action plan to address GHG emissions from ships;
- 11 **agreed** that New Zealand's engagement on reducing GHG emissions from shipping at the IMO should be mutually supportive with other foreign policy priorities, including those relating to climate change, trade and the Pacific;
- 12 **agreed** that New Zealand's principles for engagement at the IMO be to:
- 12.1 support the revision of the Strategy in 2023, with the objective of accelerating decarbonisation of the international shipping sector;
 - 12.2 continue to advocate for the Strategy's vision, ambition, and timeframe for implementation, aligning with the collective commitment in the Paris Agreement to pursue efforts to limit the global temperature increase to 1.5 degrees;
 - 12.3 resist approaches to differentiate responsibilities on climate action where it is not justified;
 - 12.4 support the development of measures that are fair and not unnecessarily complex or administratively burdensome, and serve to encourage the development of mutually supportive international GHG management and trade obligations;
 - 12.5 advocate for measures that are enforceable and can be scaled to reflect increased levels of ambition in the Strategy;
 - 12.6 advocate for the interests of Pacific Island countries consistent with New Zealand's national interest;
 - 12.7 seek effective and efficient outcomes, including avoiding duplication of existing multilateral processes;
 - 12.8 limit disproportionate negative impacts for geographically remote economies like New Zealand;
- 13 **noted** that officials will continue to work with the Pacific, treaty partners, academia and non-government organisations to deliver on the negotiating mandate;
- 14 **authorised** the Minister of Transport, in consultation with the Ministers of Climate Change, Foreign Affairs, Trade and Export Growth, Environment, and Oceans and Fisheries, to provide direction to officials as necessary on New Zealand's position if an issue emerges that meets some but not all of the provisions outlined above.

Janine Harvey
Committee Secretary

Present: (see over)

IN CONFIDENCE

IN CONFIDENCE

DEV-21-MIN-0115

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Michael Wood
Hon Phil Twyford
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

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IN CONFIDENCE

ANNEX 2 - TIMELINE FOR TAKING A REVISED CABINET MANDATE TO CABINET FOR IMO NEGOTIATIONS

Date	Milestone
10 July	Initial draft Cabinet paper for a revised Cabinet mandate provided to the Associate Minister of Transport's Office for comment.
10 - 17 July	Associate Minister of Transport considers draft Cabinet paper for a revised Cabinet mandate.
19 July	IMO CIA results report published.
17 July	Associate Minister of Transport provides comments on draft Cabinet paper for a revised Cabinet mandate.
19 July	IMO Steering Committee meets to discuss and approve final report to IMO meeting in Sept/Oct 2024.
22 – 26 July	Ministry of Transport starts departmental consultation on updated draft Cabinet paper for a revised Cabinet mandate.
31 July	Updated Cabinet paper for a revised Cabinet mandate, incorporating departmental feedback and feedback from further industry engagement, provided to Associate Minister of Transport's Office.
1 August – 15 August	Associate Minister of Transport's Office undertakes ministerial consultation on updated Cabinet paper for a revised Cabinet mandate.
21 August	Updated Cabinet paper for a revised Cabinet mandate, incorporating Ministerial feedback, provided to Associate Minister of Transport's Office.
22 August	Associate Minister of Transport's Office lodges the final Cabinet paper.
28 August	Cabinet Economic Policy Committee meets and considers the Cabinet paper.
2 September	Cabinet considers the Cabinet paper.
4 – 5 September	IMO Expert Workshop to discuss preliminary CIA results.
11 September	Ministry of Transport to provide briefing to Associate Minister of Transport and other delegated Ministers on any outstanding matters/directions required for negotiations after IMO Expert Workshop (if delegated Cabinet authority is approved).
11 - 18 September	Associate Minister of Transport and other delegated Ministers consider briefing on any outstanding matters/directions required for IMO negotiations.
18 September	Associate Minister of Transport and other delegated Ministers provide feedback on any outstanding matters/directions required for IMO negotiations.
23 September – 4 October	IMO negotiations.
Spring 2025	IMO negotiations to finalise the measures.
Late 2025	IMO measures finalised.

Restricted

Office of the Associate Minister of Transport

Cabinet Business Committee

INTERNATIONAL MARITIME ORGANIZATION - CLIMATE CHANGE NEGOTIATION MANDATE

Proposal

- 1 This paper seeks agreement to a revised negotiation mandate for New Zealand's participation at the International Maritime Organisation's (IMO) negotiations to develop measures to meet agreed greenhouse gas (GHG) emissions targets for international shipping.

Relation to government priorities

- 2 s 9(2)(i) 

Executive Summary

- 3 IMO member states are negotiating measures to meet the IMO targets agreed in the 2023 Strategy on the Reduction of GHG Emissions from Ships.¹ The Strategy targets net-zero GHG emissions for international shipping by 2050. It sets 2030 progress targets to reduce total emissions by a minimum of 20%; carbon intensity by at least 40%, and to achieve at least 5% uptake of zero emissions fuels. The measures will be finalised in 2025 with entry into force by 2027.

- 4 States have agreed that the measures will include a global fuel standard, (expected to set a sinking lid on the emissions intensity of maritime fuels), and an emissions pricing element. However, the form and rate of the pricing element is less certain.

- 5 Our active participation in these negotiations is important to secure an effective global regime and transition of international shipping, and to mitigate against any disproportionate impacts for New Zealand. New Zealand will be relatively exposed to net zero transition costs for international shipping because 99 percent of our trade, by volume, is moved by international shipping. We are also distant from our high value markets.

- 6 s 9(2)(i) 

¹ www.imo.org/en/OurWork/Environment/Pages/2023-IMO-Strategy-on-Reduction-of-GHG-Emissions-from-Ships.aspx

s 9(2)(j)

s 9(2)(j)

- 9 To support achievement of these outcomes, within the context of advancing New Zealand's national interests, I am proposing a revised Cabinet mandate for our negotiators at the IMO.
- 10 I am also proposing that Cabinet delegates authority to the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade to take any final decisions on issues in the negotiations. This would allow Ministers to provide further direction to officials on New Zealand's position in the negotiations.
- 11 Should the negotiations move outside the bounds of the revised Cabinet mandate, any final decisions with regards to New Zealand's position would, where possible, be considered by Cabinet. However, where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions. Therefore, I propose that Cabinet authorises, the Prime Minister, the Minister of Finance, the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade, to take together any final decisions on other issues in the negotiations.
- 12 This paper is seeking Cabinet agreement to a principles-based negotiating mandate that identifies New Zealand's interests and priorities, consistent with the Government's Climate Change Strategy. It gives delegated Ministers power to act to provide further direction on the detailed design of measures as the negotiations develop.

13 s 6(a)

² If agreement is not reached member State Ministers may need to attend a special IMO session.

Background

- 14 New Zealand has a strong economic interest in the design of the measures as 99 percent of our trade, by volume, is moved by international shipping.
- 15 Under the Paris Agreement emissions from international shipping sit outside countries' Nationally Determined Contributions (NDCs)³. These emissions are a significant and growing source of emissions. If international shipping were a country, it would be the sixth largest global emitter.
- 16 The IMO is charged with addressing these emissions, and in 2023 the IMO Strategy on the Reduction of GHG Emissions from Ships⁴ (the Strategy) was agreed. The Strategy targets net-zero GHG emissions for international shipping by 2050.
- 17 There are 176 IMO member states. We expect more than 100 of those states will be represented at the GHG negotiations.

Member States are now negotiating measures to operationalise the Strategy

- 18 The Strategy agreed parameters for the design of enforceable measures that will include an economic measure (emissions pricing) and a technical measure (GHG intensity regulation of fuel). The next stage to be negotiated in September–October 2024 is the design and detail of these measures. Further direction will be sought from delegated Ministers ahead of the April 2025 negotiations, which will consider the measures' adoption.
- 19 The technical measure would equate to a gradual emissions reduction. The economic measure would deliver an incentive and provide certainty to accelerate investment in net-zero emission fuels and technology.
- 20 The proposals for the pricing mechanism include a per-tonne levy on shipping emissions, and a credit trading mechanism for ships that are over and under compliant with the fuel intensity standard – dubbed a “flexibility mechanism”; or a combination of the two.
- 21 A core group of Pacific States have championed a levy ^{s 6(a)}

A levy is strongly opposed by Brazil and China, who support a standalone flexibility mechanism. The EU and Japan have proposed a flexibility mechanism combined with a levy. ^{s 6(a)}

- 22 ^{s 9(2)(j)}

³ However, the Climate Change Commission will report, by the end of 2024, on whether international maritime emissions should be included in New Zealand's domestic emissions reduction targets.

⁴ www.imo.org/en/OurWork/Environment/Pages/2023-IMO-Strategy-on-Reduction-of-GHG-Emissions-from-Ships.aspx

s 9(2)(i)

23

s 6(a), s 6(b)

24

The IMO is part of a global rules-based system and has a process of tacit acceptance. These measures will most likely be incorporated into Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) and be binding on New Zealand unless we reserve our position. However, opting out would be a public departure from the rules-based system and likely have a detrimental impact on our international reputation.

25

Due to our circumstances New Zealand will be impacted by the measures and could opt out only at a principle level. New Zealand is completely dependent on global shipping services and our trade volumes are too small to influence global shipping prices. As the measures can be expected to increase prices, it is in New Zealand's best interests to be actively involved in their detailed design.

26

s 9(2)(i), s 6(a)

A revised Cabinet mandate and delegated Cabinet authority are required for the final negotiations

27

The existing negotiating Cabinet mandate was agreed by Cabinet in 2021 [DEV-21-MIN-0115] and delivered a broad, high-level negotiating direction for New Zealand's engagement for the development and adoption of the Strategy.

28

s 9(2)(i)

29

30

31 I propose that Cabinet authorises the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade to take any final decisions on issues in the negotiations.

32 Should the negotiations move outside the bounds of existing Cabinet decisions, any final decisions with regards to New Zealand's position in the IMO negotiations would, where possible, be considered by Cabinet.

33 However, where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions. Therefore, I propose that Cabinet authorises, in such situations, the Prime Minister, the Minister of Finance, the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade to take together any final decisions on other issues in the negotiations.

34 The outcome of the 30 September–4 October 2024 negotiations will be a draft legal text⁵ for the final measures. This draft legal text will be shared among IMO member states and industry bodies for consideration for 6 months. This will give Cabinet an opportunity to consider the text prior to taking decisions to

⁵ This text will amend the International Convention for the Prevention of Pollution from Ships (MARPOL).

accept the measures, or reserving the New Zealand position. At this decision point Cabinet will be provided with a fuller assessment of the economic impact the measures are likely to have on New Zealand.

35

s 6(a)

Impacts for New Zealand

36 The IMO has published a Comprehensive Impact Assessment (CIA) detailing the economic impacts on states of different measures to achieve the agreed targets.

37 The CIA models impacts of different combinations of measures that all meet the agreed emissions targets. It models how increases in maritime logistics costs flow through to trade and GDP impacts globally and for individual countries. Under all options, there is a small negative impact on global GDP over time relative to a scenario without measures.

38

s 9(2)(j)

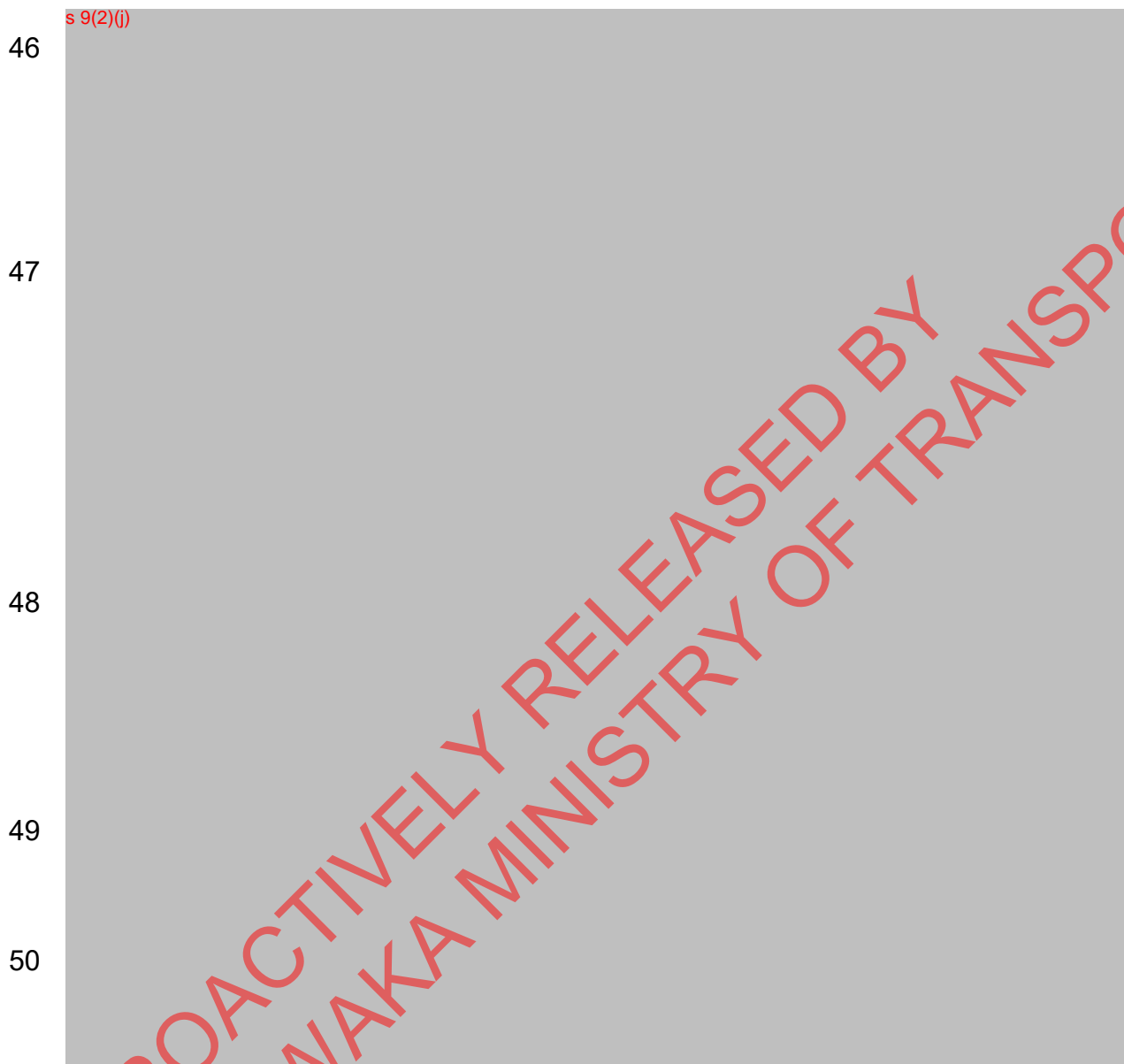
s 9(2)(j)

s 9(2)(j)

Industry supports a global-based approach to reduce international shipping emissions but are concerned about disproportionate impacts on New Zealand

- 45 Initial feedback from the industry was supportive as reaching an effective global approach to international shipping emissions, through the IMO, would be New Zealand's best chance at shaping and influencing a global solution for

reducing international shipping emissions that works for New Zealand industry.



Realm - Niue and Tokelau

51 The Cook Islands is an IMO member and is a party to Annex VI. Officials are maintaining contact with Niue – which has joined Annex VI but is not an IMO member and therefore unable to participate in these negotiations as a state party to understand their views. Following consultation, it was decided that New Zealand's ratification of Annex VI should not extend to Tokelau. Any updates to Annex VI, including these implementing measures, would therefore also not extend to Tokelau through tacit acceptance. The possibility of Tokelau joining Annex VI in the future remains open.

s 9(2)(j)

Cost-of-living Implications

- 52 There are no cost-of-living implications associated with this paper as it is addressing a negotiating mandate.

Financial Implications

- 53 There are no financial implications associated with this paper. Implementation of measures adopted by the IMO would require the subsequent development of Rules and Regulations which may be subject to a National Interest Assessment. This would include further analysis on the financial implications of agreeing to the final measure.

Legislative Implications

- 54 There are no legislative implications arising from the proposal in this paper.

Regulatory Impact Statement

- 55 A Regulatory Impact Analysis is not required for this paper. Implementation of measures adopted by the IMO would require the subsequent development of transport regulation that may be subject to an Impact Analysis.

Climate Implications of Policy Assessment

- 56 A Climate Implications of Policy Assessment is not required for this paper. However, implementation of measures adopted by the IMO may be subject to a Climate Implications of Policy Assessment.

Population Implications

- 57 There are no population implications associated with the proposal in this paper.

Human Rights

- 58 There are no inconsistencies with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990.

Consultation

- 59 The following agencies were consulted on the contents of this paper: the Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, the Treasury, Ministry for the Environment, Maritime New Zealand, Ministry for Primary Industries. The Department of the Prime Minister and Cabinet has been informed.

Communications and Proactive Release

- 60 No communications are planned on this proposal as it relates to upcoming negotiations.

61 I propose to release this paper proactively subject to appropriate redactions, after the conclusion of the negotiations.

Recommendations

The Associate Minister for Transport recommends that the Committee:

- 1 **note** that New Zealand is participating in International Maritime Organization (IMO) negotiations for the adoption of measures to meet agreed GHG targets for international shipping.
- 2 **note** that the measures will include an economic emissions pricing mechanism and a technical element (fuel emissions intensity standard).
- 3 **note** that the IMO plans for the measures to be finalised in late 2025 with entry into force by 2027.
- 4 **note** that future IMO GHG regulations will most likely be incorporated into Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) and be binding for New Zealand unless we reserve our position.
- 5 **note** that the negotiations at the IMO will have wider implications for government with potential impacts for trade, New Zealand's economy, our international relationships, and impacts for our region.

Principles for New Zealand's engagement at the IMO

6

s 9(2)(i)



*Powers to act
Delegations within bounds of Cabinet guidance*

- 7 **authorise** the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade to take any final decisions on issues in the negotiations.

Delegations outside bounds of Cabinet guidance

- 8 **note** that should the negotiations move outside the bounds of existing Cabinet decisions, any final decisions with regards to New Zealand's position would, where possible, be considered by Cabinet.
- 9 **note** where there are fast-moving developments in the negotiations and time constraints, it may not be possible to convene Cabinet to take final decisions.
- 10 **authorise** in such situations, the Prime Minister, the Minister of Finance, the Associate Minister of Transport, the Minister for Climate Change, the Minister of Foreign Affairs, and the Minister of Trade, to take together any final decisions on other issues in the negotiations.

Next steps

- 11 **invite** the Associate Minister of Transport to report back to ECO on the outcomes of the October IMO negotiations.

Authorised for lodgement

Hon Matt Dooney
Associate Minister of Transport