

Submission from Straterra

To the Ministry of Foreign Affairs and Trade

COP26 Climate Change Negotiations

August 2021

Key points

- We fully support New Zealand's commitment to push for a transparent system that enables parties to be held to account for their commitments. More power should be given to the international bodies charged with monitoring countries' adherence to their commitments.
- We encourage the New Zealand Government to place a high priority on working with other countries to developing a robust and credible international carbon market. We fully support the priority given in the New Zealand mandate to ensuring environmental integrity as a priority in carbon markets.
- We support the leadership shown by New Zealand in areas where we have expertise and the potential to make a difference. Research into bovine methane reduction is a good example of this.

Introduction

1. Straterra is the industry association representing the New Zealand minerals and mining sector (including coal). Our membership is comprised of mining companies, explorers, researchers, service providers, and support companies.
2. The sector is proud to be part of the solution to climate change. The products of mining will play an important role in reducing global emissions.
3. We welcome the opportunity to comment on the government's Conference of Parties to the United Nations Framework Convention on Climate Change ([COP26 climate change negotiations mandate](#)).
4. We fully support New Zealand's over-arching priorities for COP26 namely to negotiate rules for international carbon markets that ensure environmental integrity and for a transparency system that enables New Zealand to hold Parties to account. We make comment on these two priorities in particular in this submission.

General comments

5. Climate change is a global issue requiring a global solution. We agree with the mandate where it says the adverse impacts climate change will have on New Zealand will be determined by the effectiveness of global, not national, action.

6. Straterra acknowledges the international imperative to reduce carbon dioxide emissions and we support New Zealand's obligations under the 2015 Paris Agreement to reduce our emissions. Our key concern is that, in reducing our emissions, it is a loss for New Zealand, and typically for global emissions, if our policies simply result in those emissions occurring overseas. Integral to this is that we seek to maintain the international competitiveness of affected sectors of our economy.

Transparency and monitoring

7. We agree with the Backgrounder document which says "the transparency framework is an essential part of the Paris Agreement. It will help hold countries accountable to each other for their actions and build confidence that all Parties are implementing their commitments." (Section 1, Backgrounder.)
8. We fully support New Zealand's commitment to push for a transparent system that enables New Zealand to hold Parties to account. Countries must adhere to their Paris Agreement commitments for the system to work.
9. New Zealand's domestic climate change response policy reflects other countries' commitments and there is an assumption that these are being adhered to. International comparisons portraying New Zealand as a laggard are often based on countries' "commitments", but this is not the same as targets met. The regular reports of organisations such as Carbon Tracker, and the latest IPCC report allude to many countries lagging on their commitments (as well as pointing out the overall level of commitments fall short of what's needed to stabilise global average surface temperatures).
10. The implication of this is that if our policies are more stringent than our trade competitors, economic activity and carbon emissions will too easily transfer to those other countries.
11. It is important that more weight be given to the international bodies that are charged with monitoring countries' adherence to their commitments and we support the New Zealand mandate in this regard.

International carbon markets

12. As the background paper says, the Paris Agreement recognises that some countries will use carbon markets to help achieve their NDCs. This form of cooperation between countries is likely to occur through linking carbon markets (Section 2).
13. Because climate change is a global issue, an international approach, including a market / trading scheme covering the majority of global emissions, is ultimately required. Such a market would enable countries and sectors that can emit more efficiently than others to do so. A global emissions trading scheme would deliver a fair and efficient way to reduce global emissions.
14. In this regard, it is unfortunate that international markets have struggled to be established. Recent Conferences of the Parties to the UN Framework Convention on Climate Change have failed to deliver decisions on regulations for new international carbon markets.
15. We encourage the New Zealand Government to place a high priority on working with other countries to developing a robust and credible international carbon market.
16. It goes without saying that all such overseas units must be verified and have environmental integrity and we fully support the priority given in the New Zealand mandate to ensuring environmental integrity as a priority in carbon markets.

17. While the ultimate goal of a global carbon market should remain, given the difficulty of achieving this, partial solutions or steps in that direction should be pursued including government-to-government arrangements.

Benchmarking the carbon price

18. In the absence of international carbon markets, we consider it is essential that the carbon price faced by New Zealand emitters parallels those faced by our international trade competitors and partners as much as possible, so we are not made uncompetitive and emissions leakage does not result.
19. Outside the scope of this consultation, we are proposing to the government that the New Zealand ETS should contain a mechanism to benchmark the NZU price with that of our trading competitors until such time that international carbon markets are developed.
20. The World Bank's [State and trends of carbon pricing](#), 2020, implies that less than 22% of global emissions face any carbon pricing, and of this group, the report says the average is USD\$2 per tonne of CO₂.

Leadership

21. We note the mandate says “the Government has committed to seeking leadership internationally to influence an effective global response to climate change. This leadership should be reflected in positions taken by New Zealand.” (Para 15.3)
22. We support the leadership shown by New Zealand in areas where we have expertise and the potential to make a difference. What we mean here is that we should be a follower of technology where that makes sense – we can be a leader in agricultural technology, for example.
23. Areas such as research into bovine methane reduction is a good example of New Zealand showing global leadership in an area it can make a difference. We understand progress is being made in the development of a certain species of seaweed.
24. In terms of emissions reductions New Zealand’s response should be aligned with that of the rest of the world, to the extent required to maintain competitiveness. We support the notion of New Zealand being a fast follower rather than a leader in adopting lower CO₂ emissions technologies.

Carbon charges

25. We note some countries will, and do, misuse climate change policy (as well as environmental policies and standards generally) for protectionist reasons. Climate change policies should not be allowed to be used as trade barriers or to discriminate between products on the basis of the country they come from.
26. Many jurisdictions, including the EU, are considering some form of carbon border charge to be applied to products from countries with weak climate change regimes. New Zealand has a relatively strong climate change regime, but it also has a strong interest in opposing such protectionist measures. According to Fonterra the carbon footprint of New Zealand’s dairy industry is up to 30% lower than comparative footprints of European milk production.