

Progressing offshore mitigation for Aotearoa New Zealand

Motu Public Policy Seminar

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Note: This work was funded by the Environmental Defense Fund. This presentation does not represent the views of He Pou a Rangī Climate Change Commission

Focus for today

1. The global context (Dr Sasha Maher)
 - a) The global gaps in climate action
 - b) Article 6: How it works and what other countries are doing
 2. Progressing offshore mitigation for Aotearoa (Catherine Leining)
 - a) The gap to meet Aotearoa's 2030 NDC
 - b) Shifting mindsets and taking action
 3. An international perspective (Dr Suzi Kerr)
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The global context

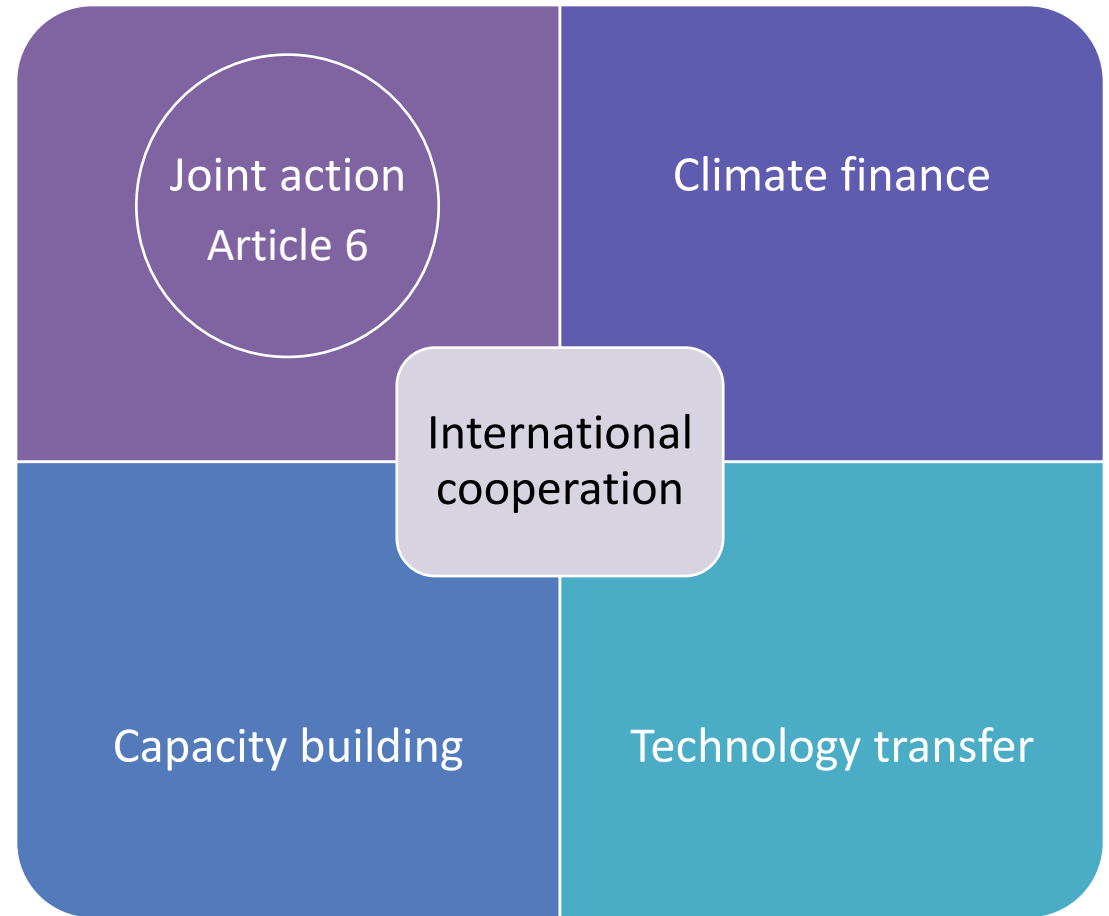
Dr Sasha Maher

What is offshore mitigation?

The 2015 Paris Agreement recognises and supports cooperation between countries to achieve their Nationally Determined Contributions (NDCs).

This includes **voluntary mitigation transfers** from one country in exchange for funding of that mitigation by another country under Article 6.

= Offshore mitigation



Why is offshore mitigation needed?

The world faces **three critical gaps** to achieve the global temperature goal:

1. Mitigation
2. Climate finance
3. Equity



Photo credit: Zakaria Zayane (Unsplash)

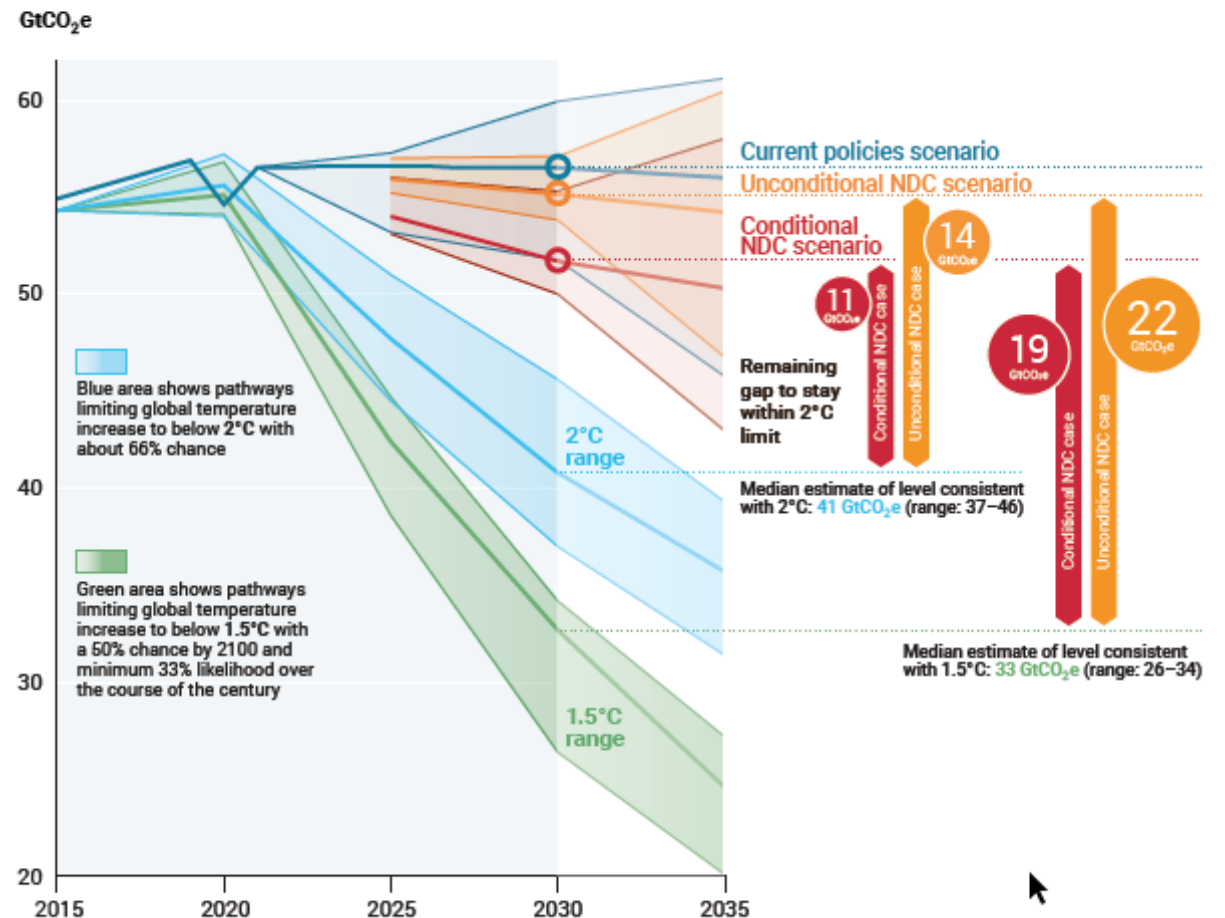
Gap #1: Mitigation (global)

Current policies will deliver 3°C.

Conditional NDCs plus long-term pledges will deliver 2°C.

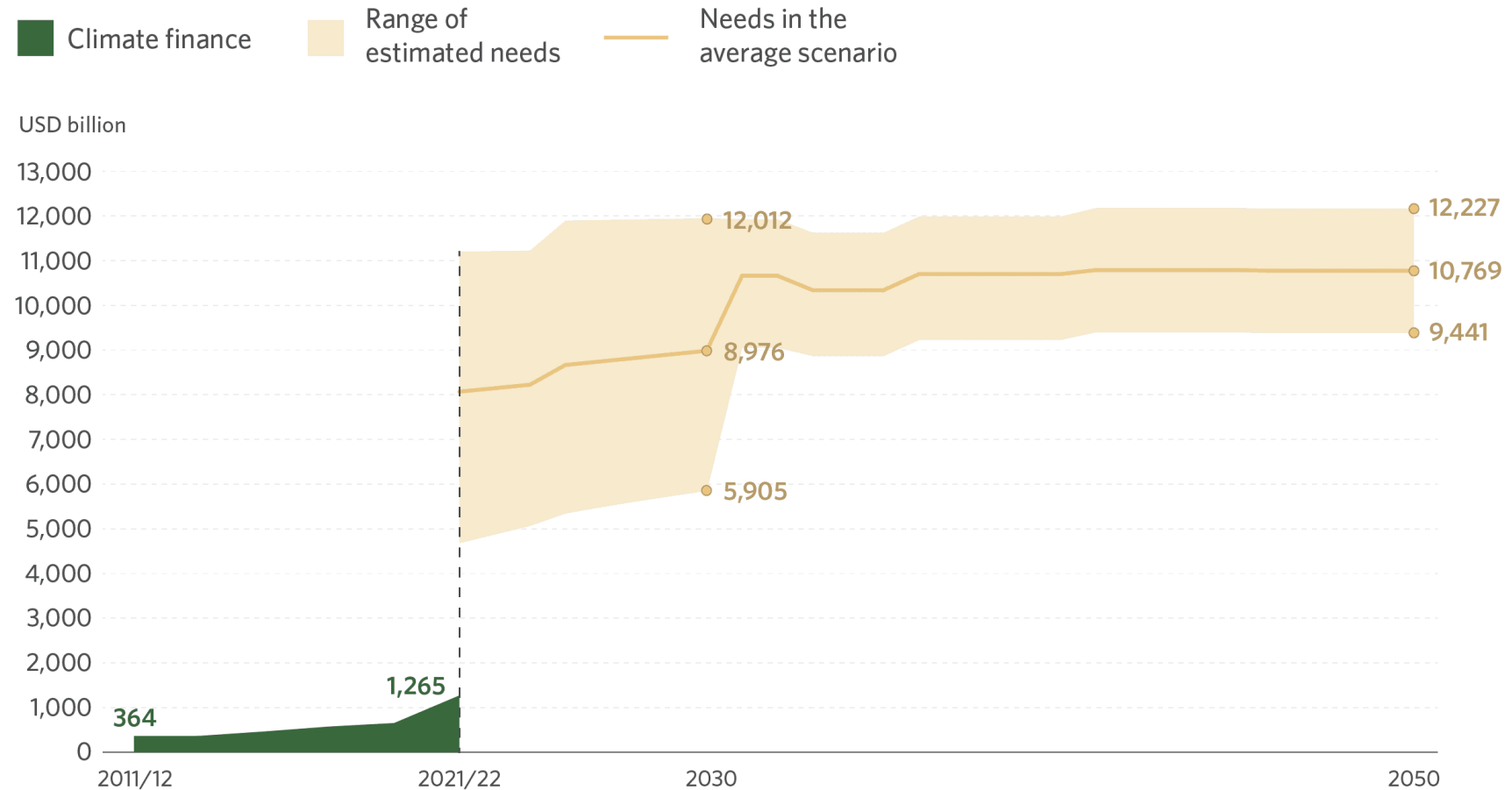
Overshooting 1.5°C means increased removals and risks dangerous and irreversible impacts.

Figure ES.4 Global GHG emissions under different scenarios and the emissions gap in 2030 and 2035 (median estimate and tenth to ninetieth percentile range)

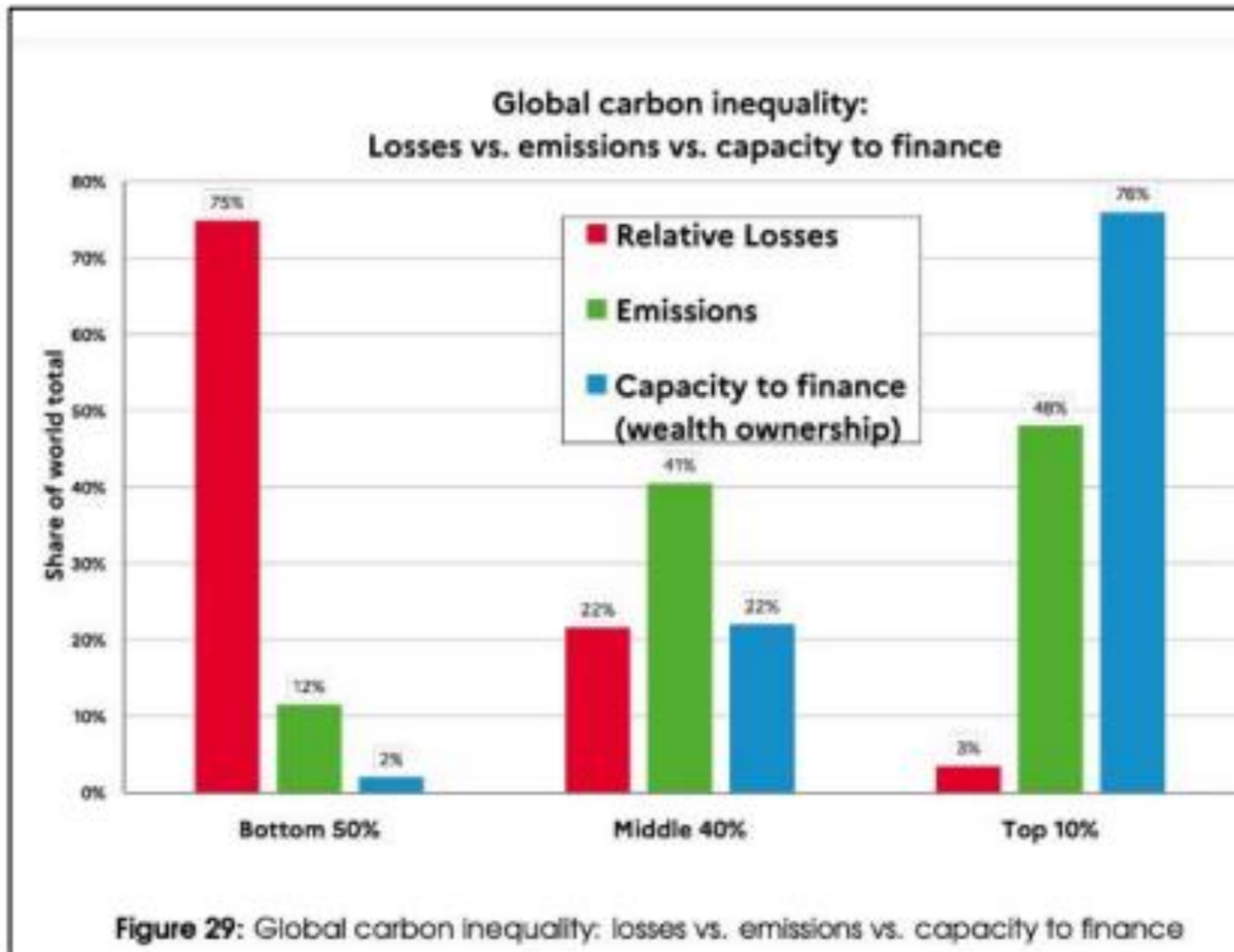


Gap #2: Climate finance (global)

For 1.5°C paths, global climate finance must increase sixfold by 2030 compared to current levels.



Gap #3: Equity (global)



The bottom 50% of the world's population by wealth contributes only 12% to global emissions but is exposed to 75% of relative income loss due to climate change.

A close look at Article 6

Article 6.2: Decentralised, Flexible

- Govt agreements (minilateral, bilateral, unilateral)
- Host & Buyers agree methodologies, MRV etc
- “Authorised” ERs ITMOs
- *Action now...moving ahead*

Article 6.4: Centralised, Standardised

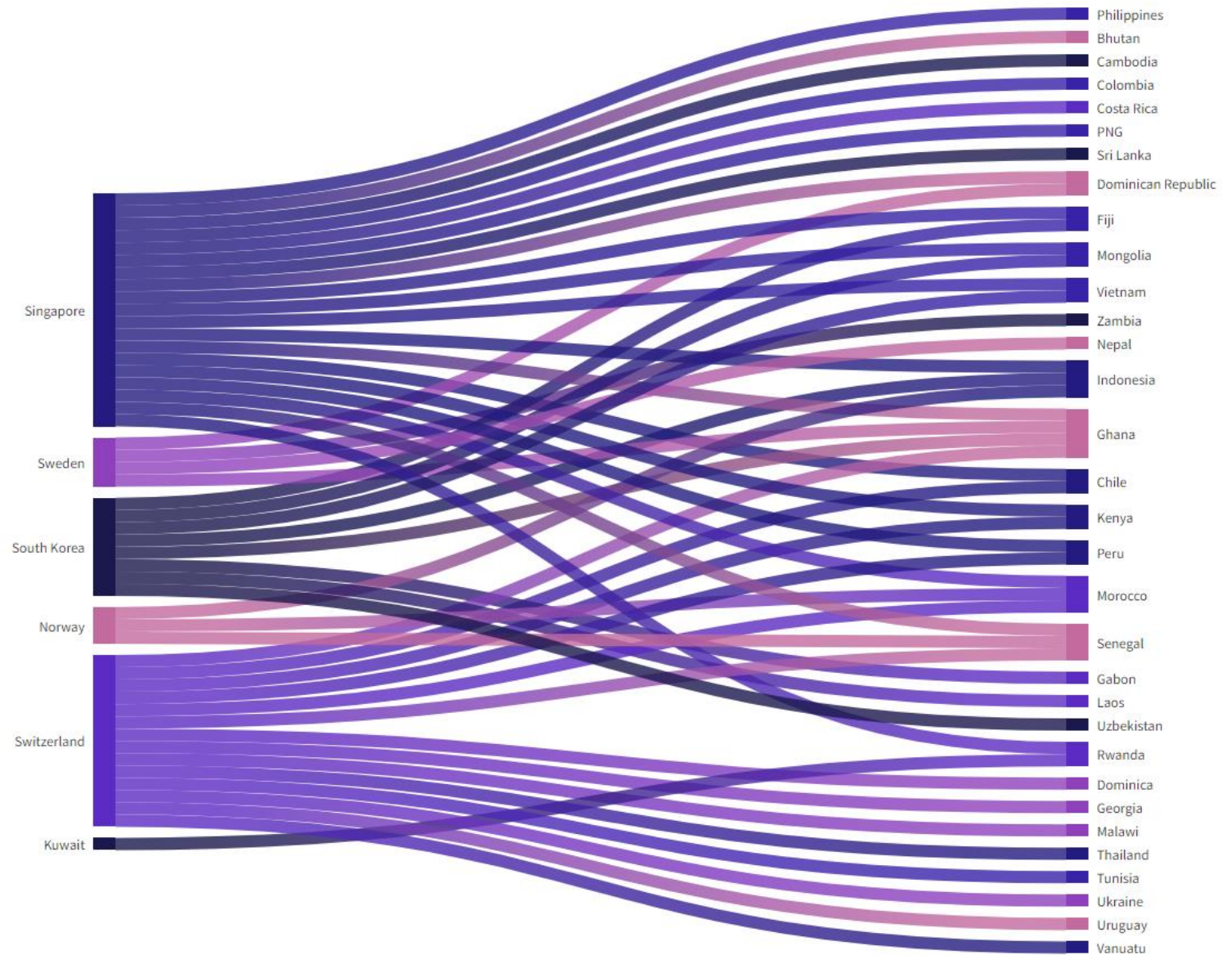
- UN Supervisory Body
- SB develops methodologies, MRV etc
- “Authorised” vs “contribution” ERs
- *WIP...will take time to progress*

Moving ahead...

Bilateral MOUs as of 16 Oct 2024:

- Switzerland (17 agreements)
- Singapore (22)
- South Korea (9)
- Sweden (5)
- Japan's JCM (119 projects)

....w/Ghana (5), Senegal (4), Indonesia (4), Laos (3), Mongolia (3), Morocco (3), PNG (3), Rwanda (3), Thailand (3), Vietnam (4)....overall 48 countries



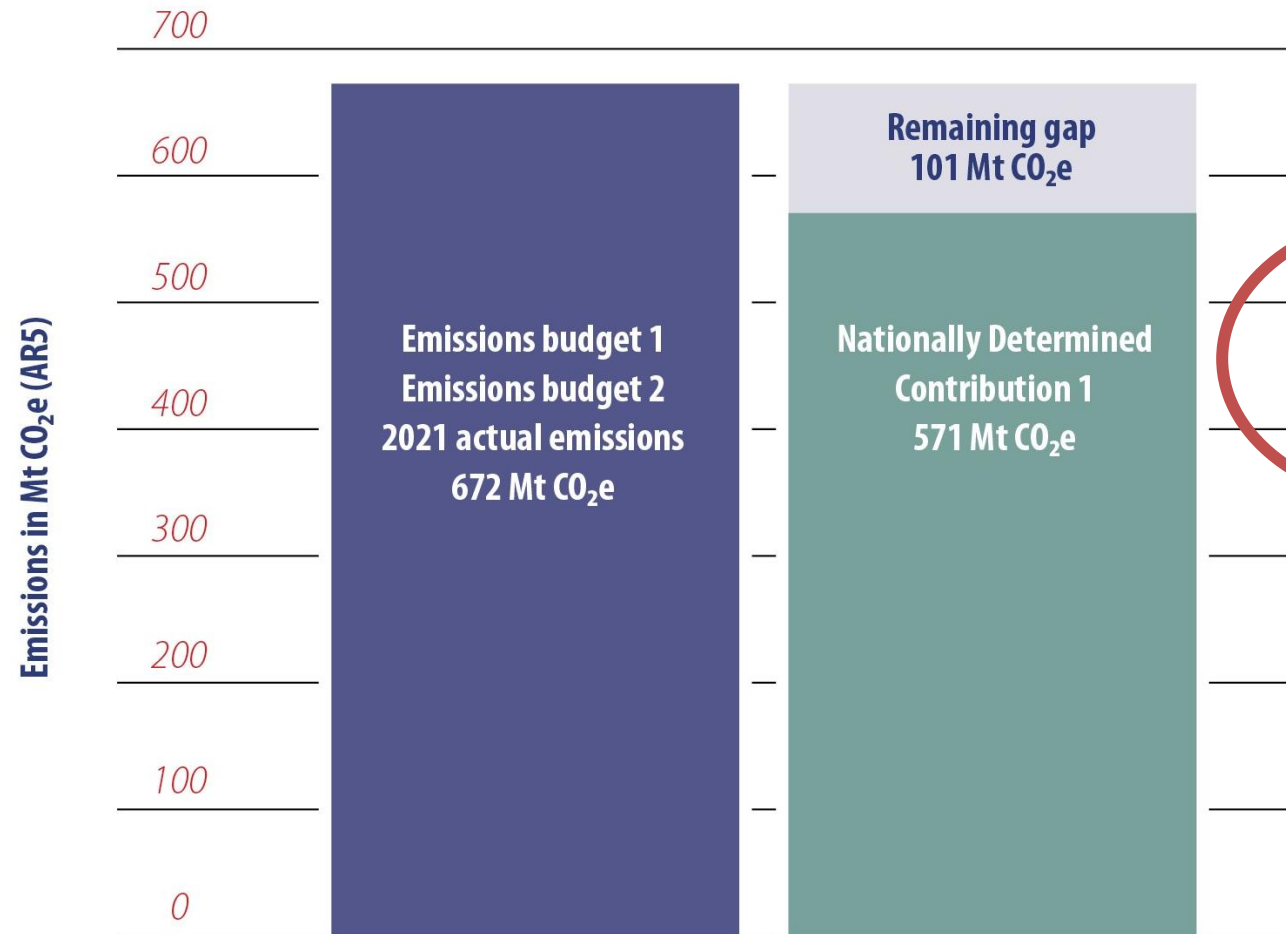
Progressing offshore mitigation for Aotearoa

Catherine Leining

Aotearoa faces its own NDC gap

Aotearoa's 2030 NDC is to reduce net emissions 50% below 2005 gross emissions.

Domestic emissions budgets (EBs) leave a gap of 101 Mt CO₂e.



The NDC budget is provisional.

Source: Ministry for the Environment (2024a). Note the provisional NDC budget of 571 Mt CO₂e is subject to revision.

Can't we bridge the gap at home? (1)

Further domestic mitigation can only bridge part of the gap to 2030.

- New forestry is too slow.
- Mitigation costs increase exponentially.
- Methodological changes and external factors add uncertainty.
- The Govt's draft ERP2 measures would reduce the nominal gap from 101 to 93 Mt CO₂e.

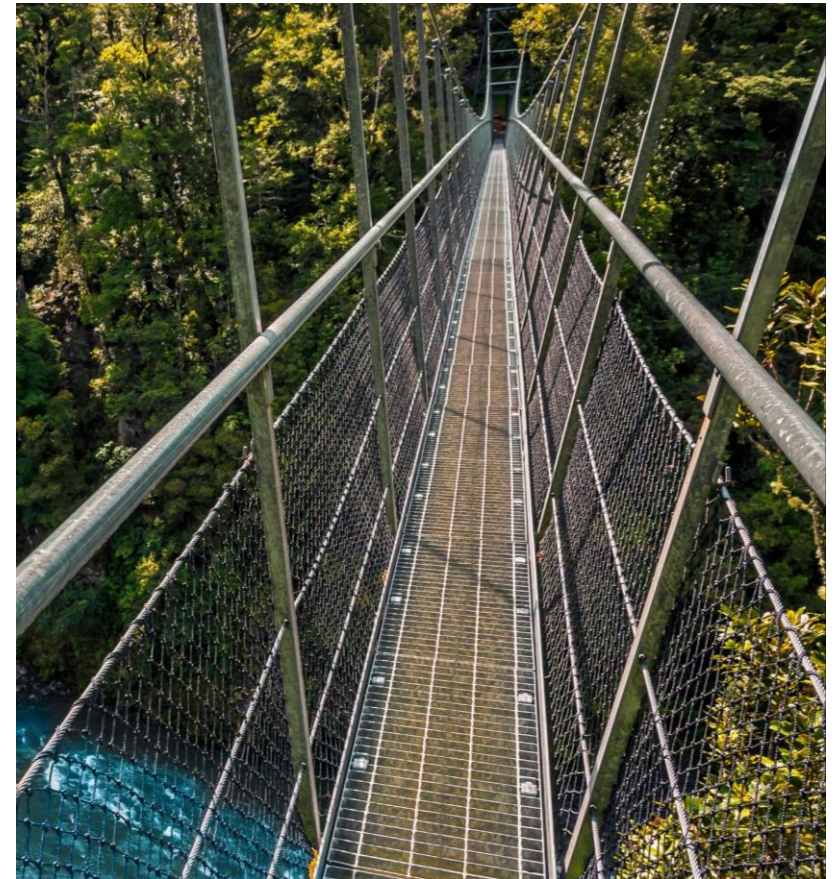


Photo credit: CJ Lamb (Unsplash)

Can't we bridge the gap at home? (2)

Successive Governments have never planned for a domestic-only NDC.

- Aotearoa's 2015 intended NDC was conditional on carbon market access.
- The 2016 and 2021 NDC submissions reported intentions to use market mechanisms and cooperative approaches.

**2015
INDC**

Gap of 210 Mt
\$9.7 billion

**2021
NDC**

Gap of ~100 Mt
\$7.9 – 13.8 billion

2022

Gap of 88 – 114 Mt
\$3.3 – 23.7 billion

2024


Gap of 93 – 101 Mt
\$???

Given global needs and domestic commitments...



What is stopping Aotearoa
from getting started?

All countries face common challenges...

- Determining additional mitigation potential in host countries
 - Completing international rulemaking
 - Building institutional capacity in host and buyer countries
 - Incorporating safeguards for environmental integrity, sustainable development, human rights, and the rights of indigenous peoples
 - Designing effective and equitable mitigation transfer agreements
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The toughest challenge may not be technical,
institutional or procedural...



Public support for offshore
mitigation is missing.

Four narratives currently dominate discourse

DOMESTICALLY DRIVEN

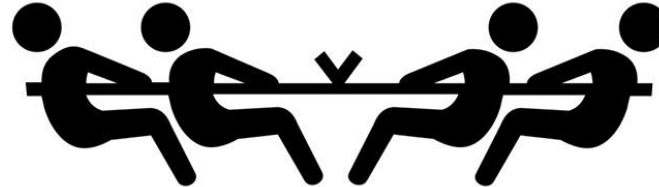
"Displaces domestic progress"

Limited offshore mitigation

DISMISSIVE DETRACTORS

"Disadvantages New Zealand"

No offshore mitigation



LEAST-COST COMPLIANCE

"Avoids domestic disruption"

Unlimited offshore mitigation

CARBON COLONIALISM

"Risks exploitation"

Limited offshore mitigation

There is an interesting disconnect...

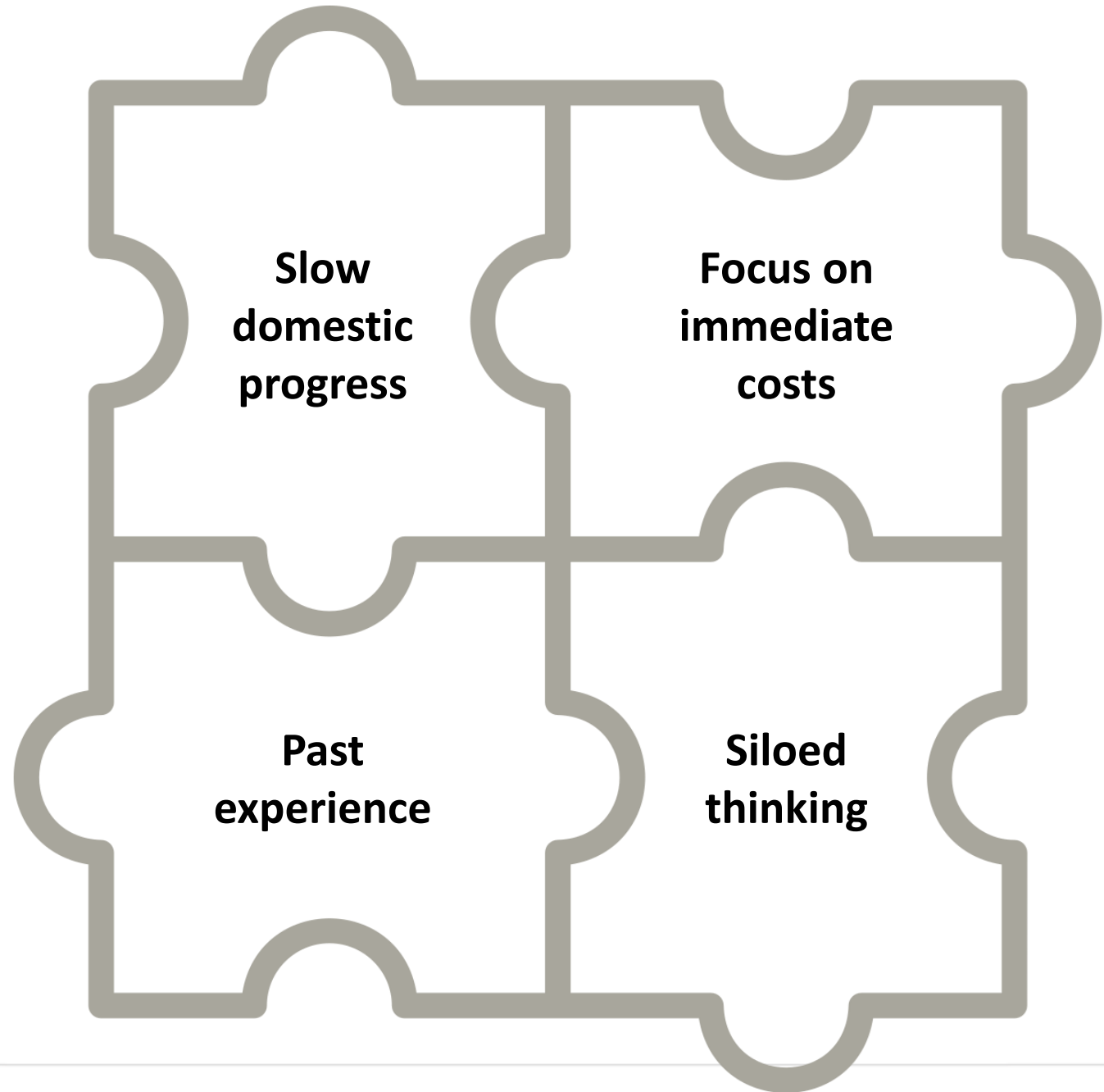
80% of New Zealanders are concerned about the impacts of climate change that are being seen both at home and overseas.

78% agree that we can't fully tackle climate change unless all countries work together.

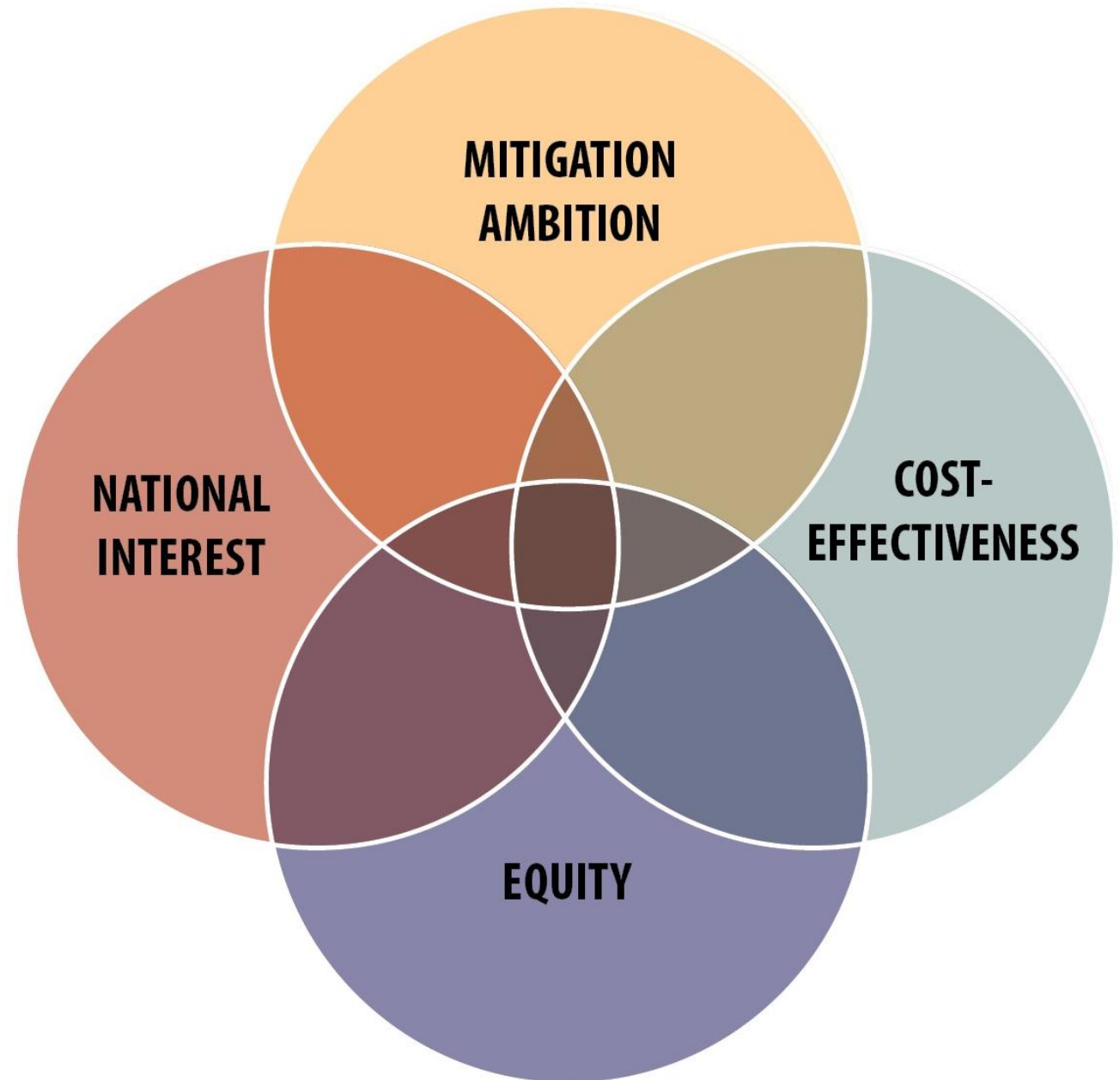
69% agree that developed countries who have produced the most carbon emissions should pay more to solve the problem.

76% agree that developed countries should do more to combat climate change.

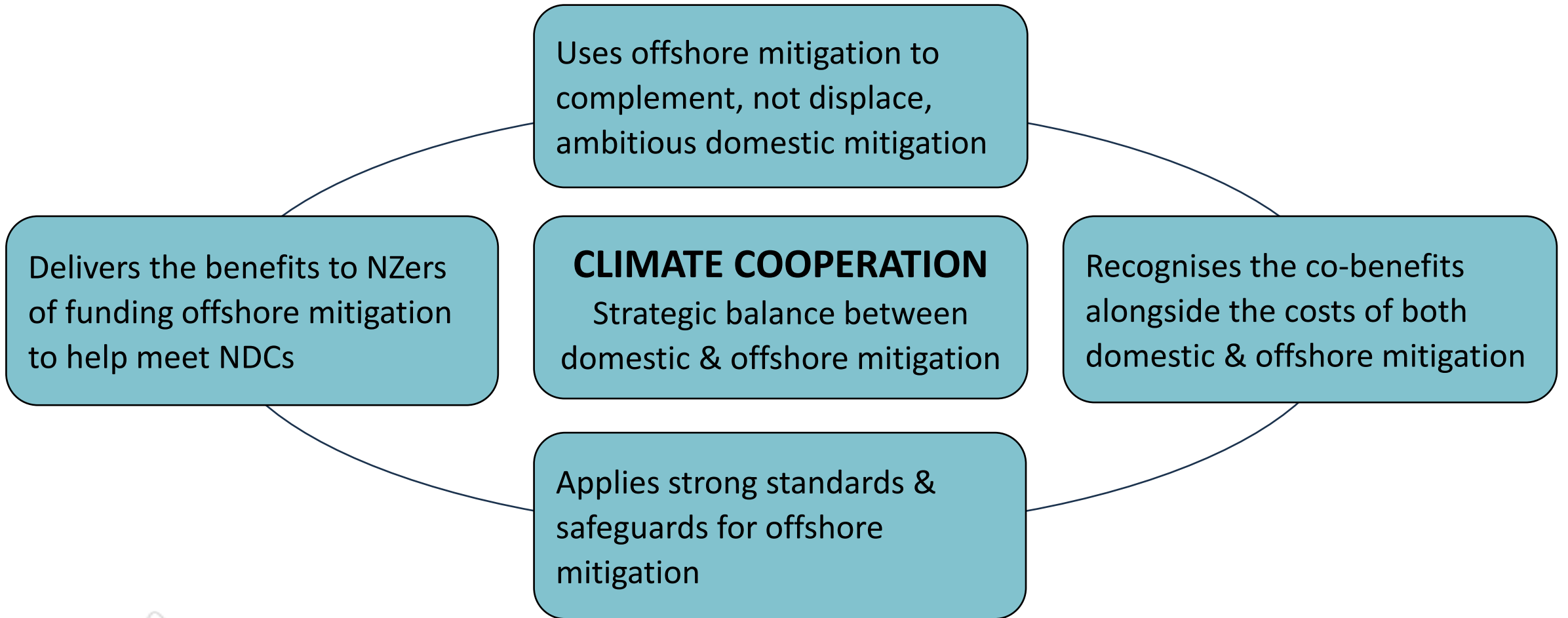
What fuels these narratives?



The narratives reflect key dimensions of decision-making



A fifth narrative offers a way ahead...



Gains from *Climate Cooperation*

National interest

- Boosts New Zealand's credibility in multilateral and trade agreements
- Creates new market opportunities
- Contributes to global security, equity, and prosperity

Cost-effectiveness

- Boosts value for money from both domestic and offshore mitigation
- Keeps New Zealand's economy on track with decarbonisation
- Positions New Zealand for future climate targets

Equity

- Boosts global equity outcomes
- Accelerates global mitigation and sustainable development
- Incentivises host-country mitigation with greater co-benefits

Mitigation ambition

- Boosts global mitigation outcomes
- Supports a just transition domestically and internationally
- Delivers mutual gains from cooperating with other countries

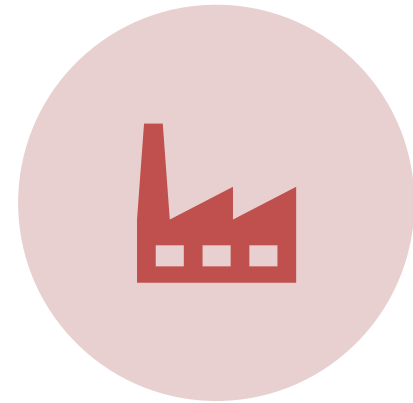
Getting started with offshore mitigation



MAKE POLICY AND FUNDING
COMMITMENTS



TAKE A PORTFOLIO APPROACH
WITH PARTNERSHIPS AND PILOTS



CLARIFY THE ROLES OF THE
PRIVATE SECTOR AND
CARBON MARKETS

Conclusion

1. Cross-border cooperation is critical to bridge mitigation gaps.
2. This will require a shift in thinking and immediate action.
3. Future NDC progression should encompass both domestic and cooperative climate action.



Photo credit: Brian Scantlebury (iStock)

For more information

Check out our websites:

<https://motu.nz>

<https://climateteams.org>

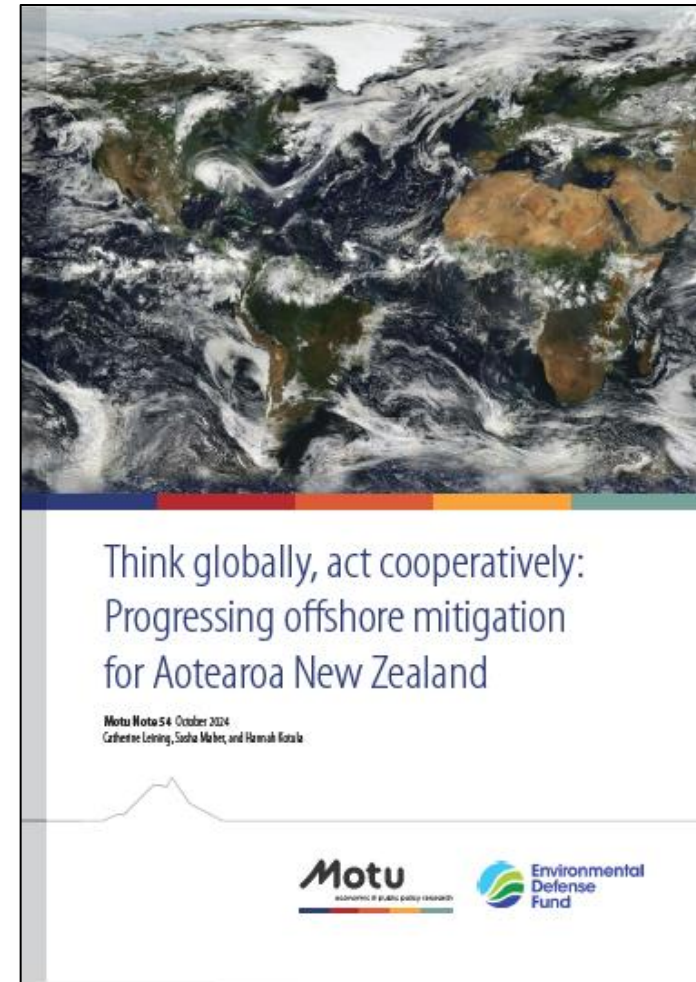
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An international perspective

Dr Suzi Kerr

Re-thinking 'carbon markets'

Moving resources toward those who cannot pay for their own climate transition

Suzi Kerr
Senior Vice President, Economics
21 October, 2024



The 2 trillion dollar challenge to achieve global climate goals

One estimate of the annual finance gap for developing countries that will not be filled by domestic action, aid or multilateral organisations (e.g. World Bank)

Requires around US\$200 billion per year of concessional support - cash.

We need:

1. clear direction for mitigation effort
2. non-financial capacity to implement mitigation
3. incentives for higher-income countries to provide resources in effective ways
4. incentives for developing countries to use the resources effectively to reduce emissions
5. generosity and trust to cooperate for our mutual benefit

'Carbon markets' can be a mechanism to support this.

No systemic plan

Carbon markets: CDM and voluntary

Finance uncoordinated

Forest protection

Early coal retirement

Offshore wind

Methane from waste

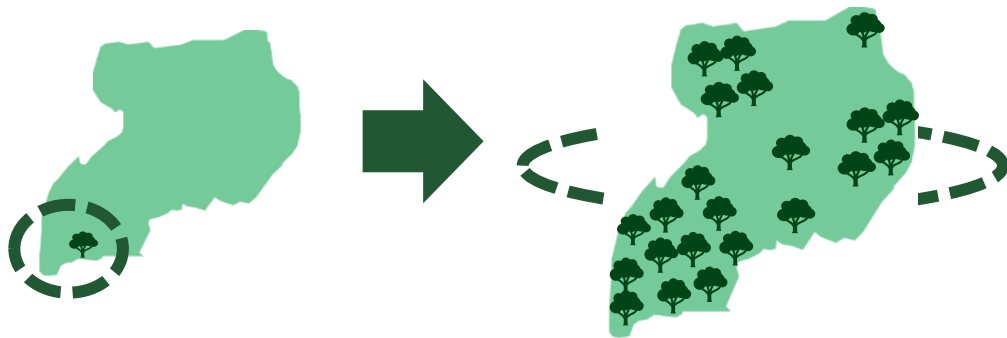
Solar installations

Credibility Mechanisms

Old style international carbon markets: isolated projects

Move toward 'jurisdictional' for forests

Ending deforestation requires a paradigm shift from individual projects to regional and national-scale initiatives.



**Individual
forest
projects**

**Entire countries
or states**

Jurisdictional approaches use a range of powerful levers to protect and enhance the value of standing forests



**Landscape-scale plans,
led by governments &
local stakeholders**

Delivering transformational change across multiple land use sectors at scale.



**Government policy,
legislation and incentives**

Addressing the key drivers of deforestation and creating stronger protections.



**Effective law enforcement
and monitoring**

Ensuring laws are upheld and resources dedicated to stopping illegal deforestation.



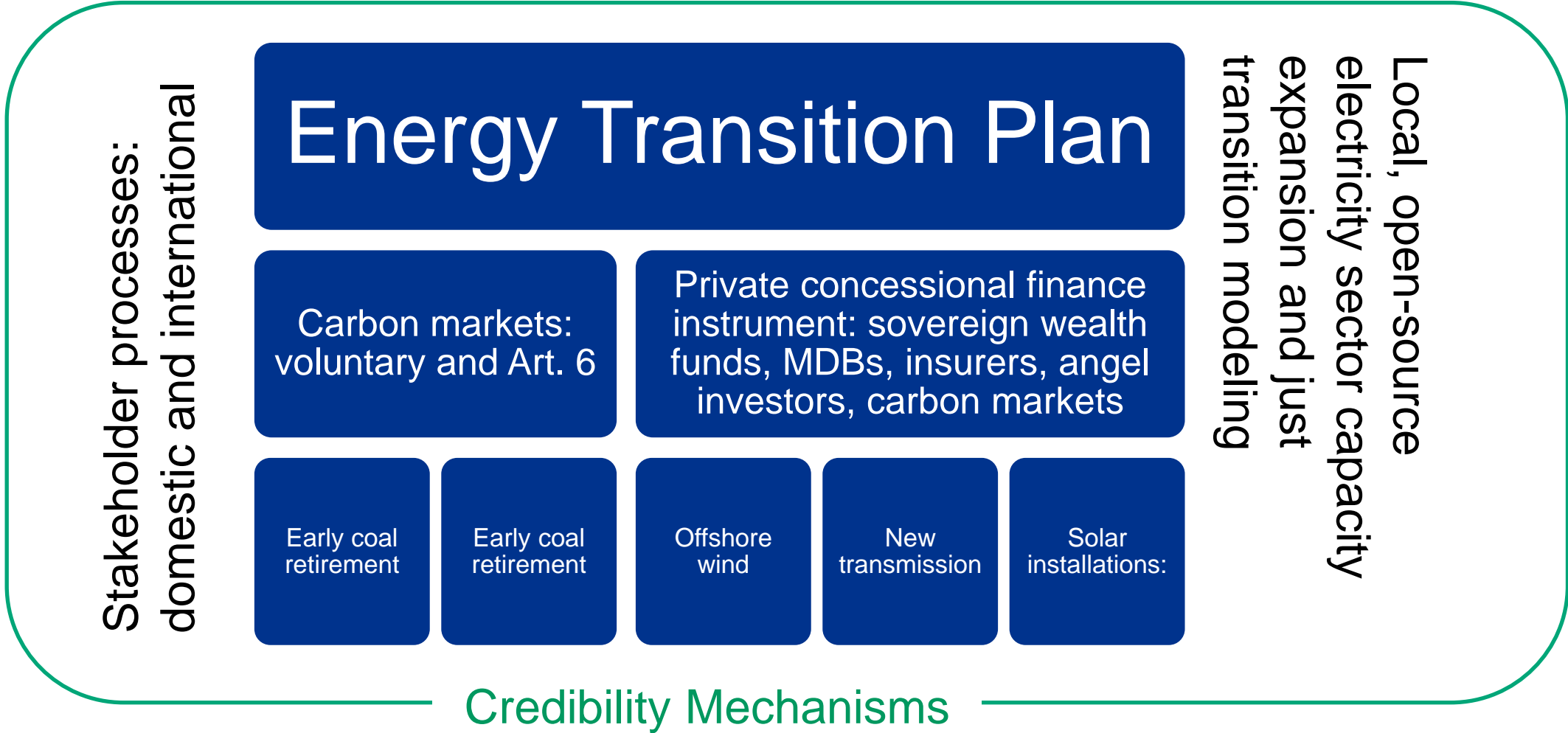
**Empowering Indigenous
People and local
communities**

Strengthening the rights and resources of the most effective forest guardians.



Economic incentives

Enabling tens of thousands of landowners to choose a sustainable pathway.



Stakeholder processes:
domestic and international

Energy Transition Plan

Carbon markets:
voluntary and Art. 6

Private concessional finance
instrument: sovereign wealth
funds, MDBs, insurers, angel
investors, carbon markets

Early coal
retirement

Early coal
retirement

Offshore
wind

New
transmission

Solar
installations:

Local, open-source
electricity sector capacity
expansion and just
transition modeling

Credibility Mechanisms

Knowledge sharing, capacity building, workforce planning, regulation

How is New Zealand going to help the global transition?

