

Reference: 20160283

25 August 2016



Thank you for your Official Information Act request, received on 27 July 2016. You requested:

“Any advice provided by Treasury to the Government, subsequent to any advice related to the setting of the INDC, on the costs, benefits, issues and opportunities of reducing agricultural emissions. ”

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	23 October 2015	Aide Memoire: Global Research Alliance Announcement at the United Nations Climate Change Conference (Paris, December 2015)	Release in full
2.	30 October 2015	Aide Memoire: New Zealand's contribution to the Paris climate change conference	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under the following sections of the Official Information Act, as applicable:.

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This response fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Libby Masterton
Manager, Natural Resources

OIA 20160283 Information for Release

1.	<u>Aide Memoire Global Research Alliance Announcement at the United Nations Climate Change Conference (Paris, December 2015)</u>	1
2.	<u>Aide Memoire Climate change - New Zealand's contribution to the Paris climate change conference</u>	5

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Reference: T2015/2435

SH-10-8



Date: 23 October 2015

To: Minister of Finance (Hon Bill English)
Associate Minister of Finance (Hon Steven Joyce)

Deadline: None

Aide Memoire: Global Research Alliance: Announcement at the United Nations Climate Change Conference (Paris, December 2015)

Summary

1. This aide memoire provides Treasury's advice on a proposal for an additional \$20m from the between-Budget contingency to fund agricultural greenhouse gas mitigation through the Global Research Alliance (GRA) from 2016 to 2020.
2. The Minister for Climate Change Issues and the Minister for Primary Industries intend to submit this proposal to Cabinet ahead of December's United Nations climate change conference in Paris to enable the Prime Minister to announce the additional funding at the conference. They have provided you with a draft Cabinet paper for comment.
3. In your discussions with colleagues, we recommend that you support Treasury's recommendation not to give extra funding to the GRA at this time and instead invite agencies to report back on where the highest value research opportunities are, what the right level of investment is to realise them, and on an appropriate balance of public and private funding.
4. If you and your colleagues instead agree to support the Ministers' proposal to provide additional funding to the GRA now, we recommend that you ask for the funding to be allocated through Budget 2016 rather than from the between-Budget contingency, which is already oversubscribed by \$100m.

Existing Crown funding for research into reducing agricultural greenhouse gas emissions

5. In 2009, the GRA received \$45m of Crown funding for research into agricultural greenhouse gas mitigation and to operate the GRA Secretariat to 2019. \$23m of the initial \$45m Crown funding remains for use by the GRA to 2019.

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6. The table below shows MPI's spending profile for GRA funds to 2019. Of the \$23m of Crown funding remaining, \$20m is already committed for research and around \$3m is available for the Secretariat and new research projects. The GRA's funding is declining out to 2019 as the initial allocation of \$45 million is spent.

	15/16	16/17	17/18	18/19	Total
MPI Indicative spending profile for GRA funding – committed (\$m)	7.405	4.665	4.317	3.789	20.176
MPI Indicative spending profile for GRA funding – uncommitted (\$m)	2.916				2.916
Total GRA funding					23.092

7. Over 2015-2019, the Crown's total funding for agricultural greenhouse gas mitigation research is \$65m, allocated in out years as shown in the following table. This includes the GRA funding shown above.

	15/16	16/17	17/18	18/19	Total
Total Crown funding to agricultural GHG research (\$m)	19.115	15.415	15.627	15.099	65.256

Treasury advice

The rationale for increased GRA funding

8. The Cabinet paper proposes increased funding to the GRA before 2019 on the basis of two main arguments:
- More funding for agricultural greenhouse gas research before 2019 could enhance the rate of progress from current research.
 - New Zealand needs to demonstrate its commitment to agricultural greenhouse gas research to ensure consistency with statements in the international climate change negotiations that we will maintain support for research in this area.
9. In addition to these arguments, we understand there are concerns about AgResearch laying-off staff and potentially losing capability with respect to agricultural greenhouse gas mitigation. There may be a belief that additional funding for the GRA will enable AgResearch to maintain its capability.

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10. Treasury considers that none of these arguments provides a strong rationale to agree to additional GRA funding before Budget 2016. Instead, we recommend that Ministers do not support extra funding for the GRA at this time and instead invite agencies to report back on where the highest value research opportunities are, what the right level of investment is to realise them, and what is an appropriate balance of public and private funding.

The case for Crown only funding is unclear

11. In Treasury's view, it remains unclear what the impact of additional funding to the GRA will be on research outcomes, whether \$20m is the right level of investment, or what the correct balance between Crown and industry funding ought to be.
12. We understand from MPI that research into agricultural greenhouse gas mitigation is moving out of the fundamental or ideas-driven phase into the testing and commercialisation phase. This suggests the outcomes are likely directly benefit the sector, both in terms of improved productivity and reducing any future liability for its greenhouse gas emissions. Given the stage of research, there may be a role for some industry co-funding. This would be consistent with the *National Statement of Science Investment* released last week, in which the Government stated its intention to seek to balance public and private investment where environmental research had strong links to primary industries.
13. With respect to AgResearch, there is no guarantee that any additional funding to the GRA, which would be contestable, would result in more funding for AgResearch. We understand from MPI that AgResearch has traditionally focussed on fundamental research into agricultural greenhouse gas mitigation, and may now be trying to reposition itself to do work at the commercialisation end of the research spectrum. Even so, there is no guarantee it will be successful in bidding for any new contestable funding. If AgResearch's capability in this area is a concern, Ministers should ask officials to investigate other support mechanisms.
14. New Zealand's investment in the GRA has enhanced our reputation and influence in agricultural and climate change diplomacy. It is unclear what additional benefits New Zealand will obtain from increasing the GRA's funding at this time given that over half of our initial investment in the GRA is yet to be spent and funding remains until 2019. New Zealand has said in the international climate change negotiations that it will continue to support research into agricultural greenhouse gas mitigation after 2019, but there is time to determine the appropriate level of investment before the current funding runs out.

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Any new funding should be allocated through Budget 2016 and not the between-Budget contingency

15. If you and your colleagues do decided to support the proposal increase funding to the GRA and announce this at December's climate change conference, Treasury recommends that the funding be allocated through Budget 2016 rather than from the between-Budget contingency.
16. The between-Budget contingency is intended to fund urgent matters and is already oversubscribed by \$100m. The proposed additional funding for the GRA will not be spent in this financial year, so does not meet the urgency test that is required for it to come from the between-Budget contingency.
17. Ministers could announce their intention to increase the GRA's funding in December but decide the actual funding mechanism through Budget 2016. This would give agencies time to consider optimal funding options, such as co-funding from industry, full or partial reprioritisation from baselines, or through existing mechanisms that provide funding for primary sector research (e.g. MBIE contestable funds). It would also allow Ministers to consider and compare the funding proposals alongside other Budget bids.

Alastair Cameron, Senior Analyst, Natural Resources, 04 917 6047
Libby Masterton, Manager, Natural Resources, 04 917 6221

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Reference: T2015/2515

SH-10-8



Date: 30 October 2015

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

Associate Minister of Finance
(Hon Paula Bennett)

Deadline: EGI on 4 November

Aide Memoire: New Zealand's contribution to the Paris climate change conference

Summary

1. Cabinet will soon consider three papers that contain proposals for New Zealand's contribution to December's international climate change conference in Paris. If all the proposals are agreed to, New Zealand's contribution will constitute:
 - a. Out of scope of request
 - b.
 - c. \$20 million of new funding over four years to the Global Research Alliance (GRA) for agricultural GHG mitigation research; and
 - d. Out of scope of request
2. Treasury recommends that you consider the proposals as a whole when assessing the scope and adequacy of New Zealand's contribution to the Paris outcome. We also recommend that you support all the proposals except the additional funding to the GRA (see previous advice: T2015/2435).

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7. On 4 and 11 November, EGI will consider three papers containing proposals for New Zealand's further contribution to the Paris package. These papers seek Ministers' agreement to:

a. Out of scope of request

- b. provide the Global Research Alliance (GRA) with an additional \$20 million over four years for agricultural GHG mitigation research; and

Out of scope of request

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OFFICIAL INFORMATION ACT

page 4 out of scope of request

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New Zealand's approach to agriculture

18. Officials do not expect the new agreement to distinguish between industrial emissions and biological emissions from agriculture. The paper therefore seeks agreement for New Zealand's negotiators to seek "hooks" for future negotiations that could support countries treating agricultural emissions differently from industrial emissions.
19. Treasury recommends you support the proposal because it is consistent with the Ministers' request for New Zealand's negotiators to proactively seek outcomes in the negotiations that would enable more appropriate treatment of agricultural emissions. While the optimal outcome would be a clear statement in the Paris agreement itself about the difference between agricultural and industrial emissions, seeking hooks for future negotiations appears the most realistic at this time.
20. We also recommend that you support the proposal for the Minister for Climate Change Issues to report back to Cabinet with recommendations for how to advance New Zealand's objectives for agriculture in future negotiations.

Paper 2: Additional funding to the Global Research Alliance

21. Treasury recommends that you do not support this paper's proposal for an additional \$20 million from the between-Budget contingency for the Global Research Alliance (GRA) to fund agricultural GHG mitigation research from 2016 to 2020 (see previous advice: T2015/2435).
22. We have included a comment and split recommendation in the paper reflecting our view that, as the GRA still has over half of its initial \$45 million allocation of Crown funding to spend between now and 2019, it is unclear what impact additional funding to the GRA at this time will have on research outcomes or the enhancement of New Zealand's international reputation. Furthermore, we have not seen any analysis to show that \$20 million is the right level of investment, or what the correct balance between Crown and industry funding should be.
23. We recommend that you support Treasury's split recommendation as follows:
 7. ~~invite~~ the Minister for Primary Industries and the Minister for Climate Change Issues to report back to Cabinet on where the highest value research opportunities are, what the right level of investment is to realise them, and what is an appropriate balance of public and private funding.
24. If Ministers do decide to increase funding to the GRA and announce this at the Paris conference, Treasury recommends that the funding be allocated through Budget 2016 rather than from the between-Budget contingency. Treasury's split recommendations 13 and 14 would enable this.

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25. Since providing our previous advice to you on this proposal, Treasury has seen the indicative Budget 2016 bids for Vote Science & Innovation. These include s9(2)(f)(iv) over four years for MBIE's contestable fund and s9(2)(f)(iv). Funding any increase to the GRA through the Budget process will allow an assessment of the relative priorities for the Crown's future science investment.

Out of scope of request

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