



BRIEFING FOR INCOMING

# Minister of Climate Change

NOVEMBER 2020



**NEW ZEALAND**  
**FOREIGN AFFAIRS & TRADE**  
Manatū Aorere

**Cover photos (*top to bottom*):**

- Nukunonu wharf, Tokelau. Credit: Taupulega o Nukunonu
- A traditional welcome to Port Vila, Vanuatu as part of the Pacific Mission 2019. Credit: MFAT
- The preferred design of the Scott Base redevelopment. Credit: Jasmax – Hugh Broughton Architects
- Visit to a farming community in Lombok as part of the Indonesia Innovative Farm Systems and Capability for Agribusiness activity. Credit: MFAT
- Cargo ships. Credit: Chris Williams
- Opening of the new embassy in Stockholm. Credit: MFAT

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## How this brief is organised

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This brief is organised into four parts:

- **Part One – The international role of the Minister of Climate Change**  
Provides a brief summary of your role and the responsibilities and processes that come with it, as well as information on how the Ministry of Foreign Affairs and Trade supports you in your role;
- **Part Two – New Zealand’s foreign and international climate change policy**  
Provides strategic foreign and international climate policy overviews and outlines New Zealand’s international climate change priorities as currently agreed;
- **Part Three – Significant near-term policy issues**  
Provides a brief overview of issues that will require early ministerial awareness and/or your decisions; and
- **Part Four – The Ministry of Foreign Affairs and Trade**  
Provides some contextual information about the Ministry.



## Part One

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# The international role of the Minister of Climate Change

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## International role of the Minister of Climate Change

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As you are well aware, climate change will present deep challenges over the next decade in terms of both impacts and responses, including ensuring economic recovery from COVID aligns with the Paris Agreement.

New Zealand has a compelling national interest in global action to reduce emissions because our well-being effectively depends on others' action. This interest is amplified by Pacific island countries' acute vulnerability to climate change effects and their pressing need for such action. New Zealand needs to be actively engaged in formal and informal international climate change processes to be able to influence the effectiveness of the global response and to ensure our particular circumstances and those of our Pacific partners are understood and our interests addressed. Domestic policy settings, messaging and action affects New Zealand's ability to prosecute our interests internationally.

As the Minister of Climate Change, you are responsible for New Zealand's policy settings and international engagement on climate change. The international commitments and rules agreed in the United Nations (UN) and other fora set the parameters for New Zealand's domestic policy, regulation and compliance costs. Our ability to influence other countries to take action, in part, is determined by our domestic policy to implement these rules.

This briefing on your international role complements the Ministry for the Environment's briefing on domestic climate change matters. Your joint responsibilities for New Zealand's domestic action on climate change and New Zealand's stance on global climate action enable you to achieve the necessary alignment between domestic and international climate change policy. The international aspects of your role include:

- Oversight of New Zealand's international climate change policy and strategy;
- Determining the nature of our climate change cooperation with other countries, including to support New Zealand's domestic transition to a low emissions, climate-resilient future;
- Providing advice to Cabinet on New Zealand's negotiation parameters for the United Nations Framework Convention on Climate Change (UNFCCC), policy settings and action on significant multilateral climate change issues;
- Leading the New Zealand delegation to the annual ministerial climate change conference (UNFCCC Conference of Parties) and determining composition of the delegation (including civil society) and its priorities for the session;
- Advising Cabinet on options for New Zealand's use of international carbon markets to meet climate change targets and on negotiating parameters for any arrangements New Zealand enters into to secure access to such markets;
- Ensuring New Zealand's compliance with its treaty commitments on climate change, including setting and achieving emission reduction targets; providing support to developing countries; and participating in the agreed system of transparency and accountability; and

- Contributing to decisions made by the Minister of Foreign Affairs about New Zealand's provision of climate-related support to developing countries, particularly in the Pacific, and in discharging New Zealand's climate finance responsibilities under the Paris Agreement, which are operationalised under the New Zealand Aid Programme.

Your personal relationships and the status of your office are crucial to achieving New Zealand's objectives through your relationships with counterpart ministers and leaders, as well as the heads of international organisations, businesses, non-state actors and non-governmental organisations. The impacts of COVID-19 mean that your leadership diplomacy on climate change will look markedly different for some considerable time to come. Without the opportunity for international travel and face-to-face meetings, you will need to be active in phone/Zoom diplomacy to sustain New Zealand's influence.

The Prime Minister and other ministers can be engaged in international outreach on climate change. You support this outreach by providing strategic advice on targeting and carrying out this engagement, including participation in international collaborative initiatives relevant to New Zealand's objectives. Climate change is a critical element of New Zealand's Pacific diplomatic and development engagement, and there are many links with the trade portfolio, making collaboration with the Minister of Foreign Affairs and the Minister for Trade and Export Growth important.

There is a strong interface, too, between New Zealand's international climate change policy and domestic policy settings. Activity and interests cross a range of portfolios — including Māori Development, Environment, Agriculture, Forestry, Economic Development, Economic and Regional Development, Oceans and Fisheries, Energy and Resources, Research, Science and Innovation, Pacific Peoples, Infrastructure, and Transport. Your role requires sustaining coherence across the Government's climate change engagement overall, including ensuring international perspectives are brought to bear on relevant New Zealand domestic policy settings.

## The Government's international priorities on climate change

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The Ministry contributes directly to the Government's overarching priority of driving our economic recovery from COVID-19. The Government's intention to future-proof the economy as part of COVID recovery by investing in plans to combat climate change, reduce waste, and support development of green energy will support New Zealand's international influence on climate change. It will align with the Government's intention to strengthen international advocacy on global climate change action, especially in light of the threat to the Pacific. The adequacy of global action is what will ultimately determine the magnitude of the adverse impacts New Zealand and the Pacific will face.

The Government's emphasis on multilateral approaches to resolving international issues is crucial in respect of climate change. The Ministry will continue work to support the implementation of the Paris Agreement and its mechanisms to ratchet up ambition to reduce emissions, and will encourage integration of Paris Agreement implementation into all countries' economic recovery from COVID-19.

The Ministry also plays a critical role in supporting the Government's objectives of continuing to negotiate modern, high-quality free trade agreements, which promote adherence to environmental standards, and negotiating the Agreement on Climate Change, Trade and Sustainability.

We note also the following areas signalled as domestic climate change priorities for the Government, which our international engagement will support:

- Accelerating the productivity, sustainability and inclusiveness of the primary sector to deliver more value for all New Zealanders through a focus on creating value, while improving environmental outcomes;
- Ensuring a just transition to a low emissions economy;
- Investing in new technologies and infrastructure; and
- Taking on challenges that lie ahead by investing in renewable energy, housing and the environment.

We look forward to discussing your policy objectives with you, both to ensure we understand your priorities, and to ensure the Ministry is well positioned to advance and implement them.

## New Zealand's international climate change obligations

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New Zealand is a party to all of the major climate change treaties and conventions and, consequently, has a range of international obligations.

### The United Nations Framework Convention on Climate Change

The overarching international agreement on climate change is the United Nations Framework Convention on Climate Change (UNFCCC). Under the UNFCCC, Parties agreed to work cooperatively towards limiting climate change and coping with its impacts. The Convention was adopted in 1992 and all UN members have signed up, as have Niue and the Cook Islands (which are not full UN members but participate in its bodies). New Zealand ratified the UNFCCC in September 1993, extending the territorial application of the UNFCCC to Tokelau in 2017.

The UNFCCC has an annual Conference of the Parties (COP), which includes a high-level segment for Ministers. Additional meetings are held at officials' level through the year. New Zealand actively engages in the UNFCCC, including representatives of the Government of Tokelau.

### The Kyoto Protocol

The Kyoto Protocol, signed in 1997, is an international treaty sitting under the UNFCCC. Targets taken by countries under the Kyoto Protocol are legally binding but were only required of "developed" countries (in effect, those countries that were members of the Organization for Economic Co-operation and Development (OECD) in 1992). In 2012, at the annual UNFCCC Conference in Doha, Parties to the Protocol adopted what became known as the Doha Amendment, recording developed country emission reduction targets for the period 2012-2020. Although our 2020 target was set under the UNFCCC rather than the Kyoto Protocol, New Zealand ratified the Doha Amendment in 2016 as a signal of support for the multilateral process. On 1 October the required number of ratifications for the amendment to enter into force was reached. It will take effect on 21 December 2020.

### The Paris Agreement

The Paris Agreement entered into force in November 2016, less than a year from its adoption in Paris. New Zealand ratified the Agreement in October 2016. The Agreement builds on the UNFCCC and ensures that all countries will contribute to the global response on an equal legal footing. To join the Agreement, all Parties must submit and maintain a Nationally Determined Contribution (or greenhouse gas reduction target), and must pursue domestic measures towards achieving that contribution and participate in the Agreement's transparency (accounting, reporting and review) regime.

There remain different obligations on developed and developing countries in climate finance however, with only developed countries obliged to provide and mobilise climate finance in support of developing countries' mitigation and adaptation efforts. As a developed country party to the Paris Agreement, New Zealand is obliged to provide (public) and mobilise (private and other) climate finance. In addition, New Zealand is required to 'scale up' its provision of finance to developing countries over time. There is flexibility to self-determine the amount of, and the channels we use to deliver, such support.

## International engagement

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COVID-19 has had, and continues to have, a fundamental and comprehensive impact on the way New Zealand conducts its diplomatic engagement. Without the ability to travel for face-to-face engagements, the business of diplomacy has undergone significant change. Much traditional diplomatic activity has halted completely or been severely curtailed. Many activities have transitioned to virtual platforms but with varying degrees of success. Making progress in multilateral settings is difficult, given reduced opportunities for informal discussions and other opportunities to progress outcomes.

It is getting harder for New Zealand's voice to be heard in this environment and our influence will diminish over time. The biggest risk for New Zealand's international influence is a scenario where a critical mass of countries resume physical meetings, including at trade minister level, but New Zealand's border restrictions remain. Over time, it may prove necessary for you to travel abroad for certain international meetings, even while our strict border measures remain in place.

The Ministry has a comprehensive work programme to adapt the way we do business in a COVID-19 environment to mitigate the risks as much as we can. Until such time as normal travel resumes, we will need to champion the use of video-conferences and rely heavily on our post network to transact business. To support this change, the Ministry is investing in new technology and capabilities to deal with the current environment and for our longer-term benefit as a small distant nation.

In order to ensure New Zealand's voice is heard in the world, we need to be proactive and creative in generating opportunities to engage with partners. Ministerial leadership is critical to this effort. We recommend that you seek to make early contact with key international counterparts through virtual means to establish the strong relationships that you will need to transact New Zealand's climate change policy objectives.

At the point when regular international travel again becomes a realistic option for ministerial engagement, the Ministry would welcome the opportunity to discuss with you potential priorities for your travel and for incoming ministerial visits with a climate change focus.

In the meantime, we recommend making early contact with your key international counterparts. This will help renew and establish the strong relationships you will need to pursue New Zealand's international climate change objectives. We would welcome an opportunity to discuss your engagement priorities with you and provide advice on how to secure them.

## How the Ministry supports you

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### Ministerial support

The Ministry can engage with you in a number of different ways, adapted to suit your preferences and schedule, including:

- Regular issues-based meetings with the Climate Change Ambassador and other Ministry officials;
- Issue-specific written briefings, and inputs to speeches and external communications
- Weekly written updates on portfolio developments;
- Diplomatic reporting (Formal Messages) from the Ministry's offshore posts regarding climate change and related issues;
- Support from accompanying senior officials in your virtual engagements and, in due course, your international travel engagements; and
- Regular engagement through Ministry staff supporting your office.

The Ministry will seek your guidance and decisions on New Zealand's international climate change policy, priorities, delivery and actions. We will report regularly against an agreed programme of work and facilitate your input.

The Ministry will also help arrange and support your international engagements, in consultation with you, and facilitate opportunities for you to meet/"Zoom" with your counterparts from other countries as well as other important international influencers and decision makers. We will provide appropriate briefing for your engagements.

### The Ministry's role in climate change issues

The Ministry supports you in its capacity as the lead agency for international climate change work. In practice, this means the Ministry is responsible for coordinating New Zealand's international work programme on climate change, which includes:

- Leading multi-agency negotiating teams to UN climate change meetings;
- Leveraging foreign, trade and development policy and activities to benefit New Zealand's climate interests; and
- Delivering New Zealand-led climate change initiatives and events that promote New Zealand's policy interests.

The Ministry provides advice to the Government on New Zealand's implementation of the Paris Agreement, led by the Ministry for the Environment (MfE), and provides advice on and implements its decisions in relation to ongoing negotiation of the residual elements of the Paris Agreement rule book. The Ministry leads multi-agency negotiating teams to the UN climate change meetings.

The Ministry works closely with MfE to ensure integration of international and domestic work streams. Technical experts from MfE form part of the international negotiations team, and officials from the Ministry of Foreign Affairs and Trade participate in cross-agency projects and governance arrangements led by MfE.

MfE is the lead agency on UNFCCC mitigation, adaptation, transparency and carbon market issues. The Ministry of Foreign Affairs and Trade leads on climate finance, climate change and development/gender/indigenous peoples issues and climate change and trade issues.

The Ministry's offshore network engages with other governments in support of New Zealand's international climate change priorities.

We help identify and respond to the opportunities and risks for New Zealand in the global economic transformation being driven by the Paris Agreement, including the implications for New Zealand's export sectors of a transition to a low-carbon global economy.

We also collaborate with a range of agencies on specific issues, for example MfE on international carbon markets, the Ministry for Primary Industries on climate change and the land sector, and the Ministry of Transport on international transport emissions.



## Part Two

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# New Zealand's foreign and international climate change policy



## Strategic foreign policy overview

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Your Ministry acts in the world to build a safer, more prosperous and more sustainable future for New Zealanders. We engage with other countries and non-state actors and seek to influence outcomes that align with New Zealand values and protect enduring national interests in:

- A rules-based international order that supports New Zealand's priorities;
- A security environment that keeps New Zealand people and activities safe;
- International conditions and connections that enable New Zealanders to prosper; and
- Global action on sustainability issues that matter to New Zealand.

## Our operating context

The global outlook is clouded by increased complexity, heightened strategic tension and new levels of disruption, disorder and risk. Many of the assumptions about global and regional affairs that have underpinned our foreign policy for the last 75 years are coming under real and sustained pressure. For example, we can no longer take for granted the virtue of ever-deepening globalisation; the effectiveness of multilateralism and its institutions; the appeal of liberal democracy and economic models; the interest and capacity of great powers to shoulder the burden of global leadership; or a benign Pacific neighbourhood.

Our international operating context is shifting at pace and growing more complex. The post-World War II global order is receding and no new order is yet emerging to replace it. But it is clear that the future will not look like the recent past. And whatever comes next, it is unlikely to align as closely with our interests or reflect our values as fully as that which we had before.

Four trends will most strongly shape our strategic environment over the next decade: 1) global power shifts and strategic competition; 2) a rules-based system under pressure; 3) economic development pushing up against planetary thresholds; and 4) a retreat from openness and liberal democracy.

**Global power shifts and heightened strategic competition** – in particular, the shift in the relative power of US and China – will be more acutely felt. s6(a)

Trade and advanced technology are the current frontlines of the US-China strategic competition and escalation remains a key risk to the outlook. All countries are feeling their strategic space squeezed as a result of these shifts s6(a)

**The rules-based system is under pressure** and fractures are becoming deeper as more and more states retreat behind "country first" agendas amidst sustained domestic anti-globalisation and populist nationalist sentiment. These conditions erode existing norms and create more space for some states to misuse and undermine the system to frustrate effective action or create mischief.

**Economic development is pushing up against planetary thresholds**, with the costs of unsustainable growth evident in a growing network of global environmental issues. Climate change will present deep challenges in the next decade in terms of both impacts and responses. Climate change poses risks to development, security and health, and magnifies many other risks. As the negative effects of climate change are felt more acutely, international and social tensions related to climate change will intensify and the pace of countries' economic responses to climate change likely to accelerate. Other serious environmental issues include plastic pollution, declining ocean health, deforestation and species loss. Fresh water could become a powerful strategic weapon.

**A global retreat from openness and liberal democracy** is demonstrated by a steady decline in the quality of democracies, even if the number of democratic states remains high. Challenges to the underlying tenets of democracy are coming from within as anti-establishment leaders in notionally liberal states varyingly seek to centralise power, circumvent democratic process, politicise the judiciary and undermine freedom of expression. These trends are reinforced by growing public scepticism of elites, institutions and globalisation.

The COVID-19 pandemic overlays these four trends. **COVID-19 has manifested as an acute disruptor**, adding layers of complexity to all aspects of New Zealand's operating context. COVID-19 has amplified or accelerated the identified trends in ways that exacerbate their negative impact on the global operating context. As the COVID-19 recovery unfolds, we expect the world will be less open, less prosperous, less secure and less free.

## New Zealand's foreign policy priorities

In 2019, the Ministry identified a set of six strategic foreign policy priorities for New Zealand, both in response to these trends and because of their particular significance for New Zealand's wellbeing over the next decade:

- Safeguarding New Zealand's interests in the Pacific;
- Shaping an Indo-Pacific regional order that reflects New Zealand interests;
- Maximising New Zealand's trade value and resilience;
- Investing in global rules and institutions that deliver for New Zealand;
- Tackling increasing risks to New Zealand's security; and
- Playing a credible role in global climate change action.

COVID-19 has not altered these priorities at the headline level, although there will be shifts in focus or emphasis and the Ministry is having to prioritise new areas of work, such as safe travel zones and vaccine diplomacy, whilst also managing an unprecedented consular workload. COVID-19 has also impacted on the interplay of risk and opportunity for New Zealand's international engagement, and altered the allocation of resources in pursuit of revised priorities. Our foreign policy priorities are outlined below, with a COVID-19 lens necessarily applied to most issues.

### **Safeguarding New Zealand's interests in the Pacific**

New Zealand has enduring interests in ensuring that our Pacific neighbours are safe, resilient and prosperous; and in maintaining the key characteristics of our preferred strategic environment. A more contested region with non-traditional external partners increasing their presence in the Pacific has implications for stability and governance norms.

COVID-19 has severely impacted Pacific economies, even as most countries remain COVID-free. The region's economies are heavily reliant on tourism, remittances and labour mobility opportunities. Revenue from these sources has dried up. The increase in poverty and decline in standards of living resulting from a deep and long recession will impact on the region's politics and security, and will have direct consequences for New Zealand. Against this backdrop, strategic competition in the region could accelerate. If the region responds to these challenges by taking on unsustainable commitments, Pacific countries could be exposed to a broader set of risks that affect New Zealand interests.

The region will bear increasingly severe impacts of climate change, including further sea-level rise, more frequent extreme weather events, fresh water shortages and greater pressure on food stocks. Like COVID-19, these climate change impacts will exacerbate existing social, economic and security challenges.

Building on the rapid and decisive action already taken to support Pacific countries to prepare for and respond to COVID-19, New Zealand now faces difficult development funding and policy decisions to ensure the Pacific remains protected from COVID-19, while bolstering economic resilience and contributing to climate change resilience and protecting our strategic interests. Sustaining mature and robust political relationships in the region as best we can will continue to be important for New Zealand, as will efforts with Australia and other partners to preserve the strategic balance in the region.

### **Shaping an Indo-Pacific regional order that reflects New Zealand interests**

New Zealand has a deep stake in the Indo-Pacific region's stability, greater economic integration and evolving norms and systems. To shape those norms and systems to our advantage, we need to be active bilaterally and through regional architecture over the long term. One key driver for deepening our relationship with ASEAN is to help sustain its critical role in bringing countries together and promoting rules and norms that are consistent with our preferences, including as the anchor of key regional architecture, notably the EAS.

Key organisations such as the EAS and APEC are under increasing pressure as a result of decreasing willingness by major powers to see their strategic and economic interests intermediated by others. The contest for regional influence is also giving rise to new regional formats, including the various Free and Open Indo-Pacific constructs, China's Belt and Road Initiative and a re-invigorated (US, Australia, India, Japan) Quad. New Zealand's principle-based approach to these fora is shaped by interests in an Indo-Pacific that is open, inclusive and transparent; respects sovereignty, ASEAN centrality, and freedom of navigation and overflight; and promotes adherence to international law and open markets.

While New Zealand's economic interests in the Indo-Pacific can be expected to hold up fairly well, politically there is less room for optimism. COVID-19 has exacerbated existing

major power tensions, accentuated regional competition over cooperation and increased risks to the pre-eminence of the vital regional architecture.

New Zealand's chairing of APEC in 2021 takes on additional geostrategic importance in a COVID-19 environment, including as a platform for us to help focus the region's approach to recovery, to reinforce economic norms aligned with *our* values and *our* interests, and to lead APEC at a time when it is developing an agenda covering the next 20 years of its work. Both chairing APEC and maintaining New Zealand's voice on wider regional issues will test New Zealand's diplomacy without face-to-face meetings.

### **Maximising New Zealand's trade value and resilience**

New Zealand's prosperity is underpinned by strong international connections, which support productivity and enable our export sector to deliver sustainable returns to the country. Trade is a major driver of productivity, employment and incomes in New Zealand: productivity per New Zealand worker is 36 per cent greater for workers in exporting firms compared with non-exporting firms. Inbound foreign direct investment (FDI) is an important component of the export sector's success: given New Zealand's relatively shallow capital base, it enables firms to build the necessary scale and capability.

A number of disruptive forces are bearing down on our trade interests: increased protectionism; consumer shifts away from carbon-intensive commodities and services; increasing interest in carbon border adjustments in response to climate change; and trade tensions between the US and China. Finally, climate change imperatives will require our exporters to adapt – sooner or later – to a low-carbon global economy.

COVID-19 has increased the headwinds we were already facing as nationalism and protectionism become more pervasive and more entrenched, as global demand plummets on the back of serious economic retraction, as businesses look to shorten supply chains, and as border restrictions constrain our significant tourism and education service exports.

The trade recovery strategy the Ministry is pursuing with New Zealand Trade and Enterprise includes more direct support to export businesses from our network of offshore posts, as well as helping businesses prepare to make the transition to a low-carbon economy. The Ministry is also leading negotiation of quarantine-free travel zones with Australia, the Cook Islands and Niue to facilitate the opening up of travel when safe. Over the longer term, it will be important to New Zealand's economic resilience <sup>s6(a)</sup>

that our trade and climate change strategies are aligned.

### **Investing in global rules and institutions that deliver for New Zealand**

New Zealand's wellbeing over the last 75 years has been supported by an international system of institutions, rules, norms and frameworks, which has provided predictability, disciplined power, reflected our values and largely been consistent with our interests. But now there is declining international support for and adherence to many of the rules and norms that benefit us, with fractures deepening in the international system, the principles on which it was built and the institutions that support and sustain it.

At the point when the world needs a coordinated global response more than ever, the international system is under serious pressure and leadership from the major powers is

often selective and frequently absent. As well as complicating many multilateral processes, COVID-19 has caused nations to focus inwards and global goodwill has fallen short as nations have tended to their own. Geopolitical tensions and inherent challenges in the UN's architecture continue to pose grave challenges to international cooperation, including around equitable distribution of any vaccine. Supporting the national vaccine strategy has become a critical part of our foreign policy effort.

As the COVID-19 crisis unfolds, some process may emerge that would help the world to address the health and economic impacts of the pandemic, in a similar way to the establishment of the G20 in response to earlier economic crises. New Zealand would want to be poised and ready to contribute to or support such a process.

More broadly, multilateralism serves our national interests (e.g., trade access/enforcement under WTO rules and the Law of the Sea mandating our Exclusive Economic Zone (EEZ)), and New Zealand's reputation has been enhanced through successful multilateral action. We need to ensure in the current environment that investment of effort will have impact. We will need to make astute choices about where to invest and at what scale. The UN treaty on high seas marine biodiversity is currently the only major multilateral treaty under negotiation at the UN and is a particular priority for New Zealand. Multilateral solutions to protect states' maritime zones in the face of sea level rise is another priority that we are championing on behalf of Pacific partners.

### **Tackling increasing risks to New Zealand's security**

New Zealand's security environment is deteriorating. State sovereignty and agreed norms of state behaviour are being undermined. Growing strategic competition is having a destabilising effect, especially in the Indo-Pacific region. Antarctica is not immune. Trans-border threats directly affecting New Zealand's security include malicious cyber activities, foreign interference, malign use of emerging technology (including in outer space), transnational crime, irregular migration and terrorism. These threats stem from global challenges with increasing domestic manifestations; addressing them will require increasingly deep cooperation between external-facing and internal-facing New Zealand government agencies. Likewise, New Zealand will need to broaden and deepen security cooperation with key partners and continue defending the rules-based order through contributions to global peace, security and disarmament initiatives.

Security threats will rise further and more quickly in the COVID-19 environment as a result of increased instability, greater state weakness and more failed states; greater international refugee flows; reduced capacity in countries to address trans-border security threats; and more space for malign actors to operate given distracted governments. Further demand for security and humanitarian contributions from New Zealand can be expected.

### **Playing a credible role in global climate change action**

A paradigm shift in global action on climate change in the next decade is essential to avert catastrophic outcomes. We have a compelling national interest in continuing to champion faster and more far-reaching global action to reduce emissions because our wellbeing depends on the effectiveness and speed of others' decarbonisation efforts. This interest is amplified by Pacific island countries' pressing need for effective global action, their

expectation of our support for such action, and the flow-on to our wider strategic interests in the Pacific.

Ambitious mitigation action at home can create opportunities to pursue a leadership role in promoting effective international climate action. We also have opportunities to partner with other like-minded countries to help increase action on climate change – for example partnering on new technology and carbon markets.

COVID-19 has seen much global climate change engagement pivot toward enhancing global ambition in the context of “green recovery” aspirations. In this context, the role of trade disciplines, investment, and civil society is assuming a new profile.

New Zealand’s climate change diplomacy is focused on: advocating for COVID-19 recovery consistent with the Paris Agreement; completing negotiation of the implementation guidelines for the Paris Agreement (the “Paris rulebook”); supporting environmental integrity in international carbon markets, and developing ways for New Zealand to access those markets; and implementing the Ministry’s Pacific Climate Change and Development Action plan. The outcome of the US presidential election will also have a major bearing on the effectiveness of the Paris Agreement.

## Advancing our foreign policy priorities

### The COVID-19 challenge

Even before COVID-19 hit, the period ahead was going to be challenging for New Zealand’s international interests. COVID-19 has increased the challenge in both policy and practical terms, including because it continues to limit so seriously our engagement with the world. New Zealand’s wellbeing depends on our international connections: through associated flows of trade, capital, skills, knowledge and ideas; and through our ability to influence decisions taken outside New Zealand that impact on us. Our connections have been drastically reduced by COVID-19 – weekly direct scheduled commercial flights to New Zealand have fallen on average over 90 per cent per week compared to the same time last year.

One of the presenting challenges for the Government therefore will be to determine **how the country can reconnect with the world in a safe and measured way**, ensuring that New Zealand is well-positioned to preserve, protect and rebuild international connections as soon as possible. A scenario where others re-open their borders but New Zealand remains closed could mean we will be absent from the international scene for longer than some others: a significant risk for New Zealand foreign, development and trade policy that will need to be mitigated.

COVID-19 has also posed **challenges for the Ministry’s offshore network**. The pre-COVID business model has been to operate posts with lean staffing from Wellington, premised on the ability to move senior officials across borders to represent New Zealand at major meetings and to surge staff into posts for relief, respite or reinforcement as necessary. COVID-19 has changed all of this. The resilience of our offshore network – critical to supporting New Zealanders abroad, advancing New Zealand interests and leading our trade recovery efforts – has been sorely tested. This is particularly the case for posts with just two officers from Wellington – some 17 of our 59 offshore missions. We

have temporarily closed eight posts during the COVID-19 pandemic. Three are due to reopen. We will have to continue to manage the network dynamically over the coming months – a core task with increased transactional and financial costs.

While our border remains closed, New Zealand will need to sustain our agility in virtual diplomacy and explore other ways to maintain connections and influence. Even as borders re-open, we can anticipate a less open world until a safe and effective vaccine has been widely distributed and a future where pre-COVID-19 trends are accentuated. We will find it more difficult to **maintain profile, achieve cut-through and exert influence** on the issues that matter to us in this crowded, contested, fragmented and disconnected operating environment.

### Our assets

That said, we shouldn't lose sight of the fact that, our small size notwithstanding, New Zealand has **international mana and credibility** stemming from our national values and attributes; the practical development, defence and police contributions we make to the international community; and diplomatic successes, such as the Christchurch Call (see Figure 1: New Zealand interests and assets on p. 23).

These assets, which are derived from NZ Inc in its broadest sense, will be even more valuable in the current environment. Prioritising effectively and harnessing the collective NZ Inc capability will be important. An early issue for the incoming Government will be determining on what issues it might choose to leverage the influence that comes from New Zealand's currently increased profile from the country's response to the Christchurch terror attacks and to COVID-19.

### Our relationships

A more disrupted and disordered world will also be a lonelier one for New Zealand as global affairs become more transactional and traditional friends are more preoccupied domestically and take a narrower national interest approach globally.

We will need to invest more in and require more from our bilateral relationships. The quality of our bilateral relationships with our **Pacific neighbours** has impacts across New Zealand's international interests. Moreover, domestic and foreign policy considerations are intimately connected when it comes to the Pacific. **Australia** will remain our most important relationship and indispensable partner. <sup>s6(a)</sup>

<sup>s6(a)</sup> **The US** will continue to play a vital role in our security and prosperity, <sup>s6(a)</sup>

The value of a core group of major relationships has been reinforced during the COVID-19 crisis.

<sup>s6(a)</sup>

s6(a)

We will also continue to derive benefit from leading and joining **coalitions of interest** with countries with which we share (to varying degrees) a set of common interests and values, including a commitment to multilateralism, free trade, the rule of law and liberal democratic values.

s6(a)

New Zealand's relationship with China is significant, and multi-dimensional, but also enormously asymmetrical.

## Conclusion

The period ahead will present ongoing challenges as we seek to **uphold our interests and our values**. We will need to be clear in our understanding of both, and ensure others know what we stand for to maximise our ability to pursue a consistent, principled and independent foreign policy. Even so, our scope to advance an independent foreign policy may be reduced as the conditions that enable our independence of thought and action – the respect for rules, strategic space to make choices, a wide group of friends that share our views – will likely be wound back in a more inward-facing and transactional global environment.

We will need to be pragmatic and adroit to defend what we must and shape what we can, all the while building New Zealand's resilience so that we can capitalise on the opportunities and manage the risks that a disordered world will present. **Urgency, agency and entrepreneurship** in our foreign policy will be more important than ever in these tumultuous times.

Figure 1: New Zealand's interests and assets

New Zealand's interests and assets	
<p>New Zealand's wellbeing depends on the protection and advancement of a set of enduring interests in the world. Securing these interests involves well focused and executed international action to influence other countries and organisations to our advantage, buttressed by complementary domestic policies and actions.</p> <p>New Zealand's international influence and credibility are functions of our enduring national assets and the ways in which we use these to best advantage in the world. These assets will become even more valuable as we navigate greater uncertainty this decade. Nurturing them through action at home is critical to success internationally.</p>	
New Zealand interests	New Zealand assets
<p>We have essential and enduring interests in:</p> <p><b>A rules-based international order that supports New Zealand priorities:</b></p> <ul style="list-style-type: none"> <li>○ Rules, norms and other international frameworks governing global affairs, which promote stability and predictability; and</li> <li>○ Multilateral institutions that give all countries a voice.</li> </ul> <p><b>A security environment that keeps New Zealand people and activities safe:</b></p> <ul style="list-style-type: none"> <li>○ International security and stability, particularly in the Pacific and Indo-Pacific regions;</li> <li>○ Secure borders (land and maritime);</li> <li>○ Secure domains that New Zealanders use (oceans, airspace, cyberspace); and</li> <li>○ Collective security mechanisms (e.g., the UNSC, NATO).</li> </ul> <p><b>Conditions and connections that enable New Zealanders to prosper:</b></p> <ul style="list-style-type: none"> <li>○ Open trading arrangements and access to markets underpinned by an effective multilateral trading system;</li> <li>○ Secure and open trade routes (maritime and air);</li> <li>○ Sufficient access to international carbon markets;</li> <li>○ Liberal economic norms; and</li> <li>○ Global financial stability.</li> </ul> <p><b>Global action on sustainability issues that matter to New Zealand:</b></p> <ul style="list-style-type: none"> <li>○ Progress towards sustainable development;</li> <li>○ Global collective action to address climate change; and</li> <li>○ Environmental protection of Antarctica and the Southern Ocean.</li> </ul>	<p><b>Our mana and credibility in the international arena are founded on intrinsic New Zealand features:</b></p> <ul style="list-style-type: none"> <li>○ Our strong democratic institutions and values and adherence to the rule of law;</li> <li>○ Our commitment to equality, fairness, inclusivity and accountability;</li> <li>○ Our distinctive bicultural society underpinned by Te Tiriti o Waitangi and the Crown-Māori partnership;</li> <li>○ Our Pacific orientation and Pasifika population;</li> <li>○ Our super-diverse multicultural society and tolerant communities; and</li> <li>○ Our robust and reputable domestic policy settings (open economy, ease of doing business, high transparency and absence of corruption).</li> </ul> <p><b>We earn recognition for the contributions we make to the international community including:</b></p> <ul style="list-style-type: none"> <li>○ Our effective international development and humanitarian assistance programmes;</li> <li>○ A professional and capable New Zealand Defence Force deployed to promote international and regional security;</li> <li>○ New Zealand Police, respected for its modern, community-based policing approach;</li> <li>○ High quality analysis of classified and open source intelligence; and</li> <li>○ Our thought leadership and talent (niche research and innovation strengths).</li> </ul> <p><b>We have enduring assets derived from our geography:</b></p> <ul style="list-style-type: none"> <li>○ Our maritime area (combined Exclusive Economic Zone (EEZ) and continental shelf) is one of the largest in the world;</li> <li>○ We are part of the Indo-Pacific, the fastest growing region in the world;</li> <li>○ We are embedded in the regional architectures of the Pacific and the Indo-Pacific; and</li> <li>○ The landmass of Australia stands between us and the most proximate source of a wide range of security threats.</li> </ul>

## International climate change policy overview

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### Need for urgent global action

There is now near global acceptance climate change is a serious, accelerating international challenge, which poses significant risks to the economy, environment and way of life in all countries. Urgent collective action is required to avert collapse of eco-systems, and serious flow on impacts for human development, security and prosperity. Given New Zealand's inability to control climate impacts unilaterally, our fundamental interest lies in effective and coordinated climate action by all countries according to their national circumstances under multilateral rules. Encouraging effective climate change action globally is a New Zealand priority whether through multilateral, regional, plurilateral, bilateral or domestic action.

Climate change is a touchstone issue for Pacific island countries, and these countries are at the forefront of efforts to limit the global temperature increase. Access to global climate finance mechanisms is a priority for Pacific island countries, as is building resilience to slow onset events and managing non-economic losses.

### The international goal

The 2015 Paris Agreement aims to hold the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit it to 1.5 degrees Celsius.

The Agreement created a "bottom-up" system of nationally determined contributions to the global effort, supported by a "top-down" rule-set founded on principles of progression and continuous improvement. It commits all countries to reduce greenhouse gas emissions as ambitiously as they can, to adapt to the impact of climate change, and to make all finance flows (domestic and international, private and public) low-carbon and climate-resilient.

The Agreement provides for enhanced support to developing countries by developed countries — through funding, technology and capacity building — to achieve this. The Paris Agreement 'rule book' was substantively concluded in 2018, but ongoing negotiations on aspects of transparency, carbon markets, and targets for support for developing countries, remain important for effective collective action.

### Pressures on ambition

Despite the known consequences of climate change and the achievement of the milestone Paris Agreement, greenhouse gas emissions are still increasing and countries' current targets, in aggregate, are insufficient to avoid catastrophic impacts. Drivers of climate change are hard-wired into the global economy and a successful response will require an economic transition ultimately on the scale of the industrial revolution. The changes needed to current production and consumption patterns, including in New Zealand, are profound.

The declared intention of the United States (US) in June 2017 to exit the Paris Agreement has not had the feared domino effect; participation remains near universal. Nonetheless,

there has been a notable fall-off in political momentum in support of ambitious action, with few major emitters committed to long-term targets, and truly transformative economic agendas. Democratic candidate Joe Biden has said that, were he to win the November election, he would see the US make a swift return to the Paris Agreement as part of a significant domestic climate change plan. Whatever the result, the outcome of the US Presidential election will be important for the international climate change agenda. We will provide you further advice on engaging with the next US Administration in due course.

On 22 September President Xi Jinping told the United Nations General Assembly China will scale up its Nationally Determined Contribution (NDC) by adopting more vigorous policies and measures, aiming to have greenhouse gas emissions peak before 2030 and achieve carbon neutrality before 2060. China is now by far the largest emitter of carbon dioxide at about 28 per cent of the global total. China's new commitment equates to a 0.2-0.3 degrees Celsius reduction in projected global temperature rise.

The United Kingdom (UK) will hold the presidency role for the 26<sup>th</sup> UNFCCC Conference of Parties (COP26) and is championing campaigns to promote ambition. Themes for the COP comprise energy, transport, adaptation/resilience, nature based solutions and finance.

## New Zealand: a global leader

The Government has positioned New Zealand as a global leader on climate change ambition, leveraging the establishment of a clear direction and supporting architecture for New Zealand's transition to encourage others to take strong and early action. This profile has seen ministers and officials take key roles in influential international meetings, with others signalling keen interest in replicating New Zealand's domestic achievements and many seeking our support to do so. Our innovation and convening power has successfully influenced others to commit to specific policy actions, and join coalitions, multilateral and plurilateral initiatives in which we have leading roles.<sup>1</sup>

Sustaining a strong record on domestic climate action, including delivering what was agreed in the course of the Paris deal will impact our ability to influence and inspire others. Upcoming milestones comprise:

- Submitting New Zealand's Long Term Low Emissions Development Strategy to the UNFCCC;
- Contributing to climate finance targets;
- Joining deliberations on the next collective climate finance goal; and
- Establishing a plan to achieve our NDC.

Our priority of encouraging others to take action requires us to work both with the major emitting countries to promote ambition and those smaller economies that share New Zealand's climate interests.

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<sup>1</sup> Examples include partners joining our ACCTS initiative, our collaboration with Pacific island countries to stage climate action pavilions at successive UNFCCC COPs; and the strongly positive reception of the Prime Minister's speech to the 2019 Climate Summit.

## The implications of COVID-19

The massive reduction of global greenhouse gas emissions caused by the COVID-19 shutdown is not expected to be sustained in the absence of significant structural change to the global economy. The huge economic stimulus packages under development globally do, however, create an unprecedented opportunity for investment in decarbonisation and resilience. But they will put addressing climate change at risk if investment continues to prop up fossil fuel-based economic activity or exhausts fiscal reserves available for necessary investment in the low emissions transition. Analysis shows many countries have included measures supporting the transition to more sustainable economies, but the balance of expenditure is currently skewed toward measures likely to have negative effects on environmental outcomes.

A small number of influential countries, including the UK, South Korea and the European EU, have established themselves as champions of “green recovery”, emphasising green projects and advancing (or doing no harm) to the climate change goals. An early issue for the incoming government will be to consider how New Zealand’s approach to our COVID-19 recovery could support international climate change objectives.

## The trade-climate nexus

The transition to a low carbon global economy will be disruptive to the New Zealand economy, given the carbon emissions profile of our most important export sectors: agriculture and tourism. Already there is pressure on future demand for our meat and dairy products: food technology is enabling production of more plant-based proteins and synthetic meat and dairy alternatives; contestable environmental sustainability arguments are seized upon to support protectionist measures on agricultural products; and a consumer-led push for action on climate change is shifting consumption away from animal protein in some developed country markets. Work initiated by the previous government, of which you were part, in relation to New Zealand’s agricultural emissions provides a platform to progress sectoral transition to a low emissions future.

Climate change is an area of focus in current free trade agreement (FTA) negotiations with the EU and the UK. New Zealand is also taking a leading role in negotiation of the Agreement on Climate Change, Trade and Sustainability (ACCTS) with Costa Rica, Fiji, Iceland, Norway and Switzerland. ACCTS is intended to demonstrate in practical terms how trade rules can be used to support climate and broader sustainable development objectives while generating momentum towards eventual multilateral outcomes. ACCTS will cover the following key areas: the removal of tariffs on environmental goods; the establishment of new and binding commitments for environmental services; the establishment of disciplines to eliminate harmful fossil fuel subsidies; and the development of guidelines to inform voluntary eco-labelling programmes. The second round of negotiations was held in September and October and the next round of meetings is scheduled for mid-November to December. Once negotiations conclude, the objective is for ACCTS, as an ‘open plurilateral’, to be available for other WTO members to join if they are able to meet the obligations.

We are monitoring emerging proposals to use trade restrictions for climate policy purposes, such as the interest in Carbon Border Adjustments shown by the EU and others. Such

mechanisms seek to incentivise broader uptake of carbon pricing globally; to neutralise competitive disadvantage caused by asymmetrical emissions compliance costs; and to mitigate 'carbon leakage' via the introduction of import duties or inclusion of imports in Emissions Trading Schemes (thereby requiring exporters to purchase, or importers to surrender, units). As such initiatives evolve it will be important that New Zealand is engaged.

In general terms, we will need to find new ways of cooperation that manage the impacts of trade-related climate action taken by our partners, and to ensure we get access to the investment and low emissions technologies necessary for our domestic transition.

## Impacts on the Pacific

Climate change remains the single greatest threat to the livelihoods, security and well-being of the peoples of the Pacific. It is already reversing development outcomes and undermining human rights. The Pacific region will bear increasingly severe impacts of climate change, including further sea-level rise, extreme weather events, water shortages and pressure on food security. Without considerable support, some Pacific island communities will probably need to relocate populations. In the longer-term, a small number of low-lying atoll countries may face nationhood questions should their landmass no longer be able to sustain a population. Even for the majority whose existence is not threatened, adapting to manage climate change impacts will be very demanding.

The threat of climate change to the Pacific means that our national policy on reducing carbon emissions, our effectiveness in backing global climate action, our focus on fair outcomes for small vulnerable island states and our contributions to climate resilience in Pacific island countries will be of increasing importance in maintaining legitimacy and influence – in all areas of our Pacific engagement. In addition, New Zealand support for Pacific climate change adaptation and response to managing the impacts of climate events, including through disaster relief, will be ongoing.

New Zealand plays an important role "standing with the Pacific" on climate change, amplifying the Pacific voice on the international stage, and supporting Pacific ambitions to implement the mitigation, adaptation, and reporting obligations they have taken on under the Paris Agreement. Alignment with the Pacific on climate change also serves to amplify New Zealand's call for greater action by major emitters.

## New Zealand engagement in practice

New Zealand's overarching priorities of encouraging global ambition to reduce emissions and supporting the domestic transition give rise to a full programme of activities. Our highest priorities comprise:

- Advocating for **COVID-19 recovery** consistent with the Paris Agreement, including sustainable finance, fossil fuel subsidy reform, and liberalisation of trade in environmental goods and services, through multilateral, plurilateral, regional and bilateral channels;
- Completing negotiation of the **implementation guidelines for the Paris Agreement** in the UNFCCC (the "Paris rulebook"): ongoing work on reporting requirements to ensure transparency and accountability are central to countries'

efforts, and “Article 6” (carbon market) processes and a central market mechanism to encourage countries to make more ambitious emission reduction commitments;

- Supporting environmental integrity in **international carbon markets**, and developing ways for New Zealand to access those markets; and
- Implementing the Ministry’s **Pacific Climate Change and Development Action plan**. The plan includes international advocacy for solutions to Pacific climate change challenges, leadership in development of policy on critical issues for the region, and New Zealand’s commitment to invest at least \$300 million in climate change development assistance, including the \$150m Pacific and adaptation-focused Climate Change Programme.

Other important engagement includes:

- Sustaining global commitment to the **Paris Agreement**, by pressing for ambitious action through the Carbon Neutrality Coalition, High Ambition Coalition and Coalition of Finance Ministers for Climate Action, and leadership of the Friends of Fossil Fuel Subsidy Reform and Global Research Alliance (GRA);
- Seeking high quality free trade agreements that ensure trade policy and climate policy are mutually reinforcing;
- Using trade instruments to promote climate change objectives, including through the Agreement on Climate Change, Trade and Sustainability (ACCTS) and through our promotion of fossil fuel subsidy reform in trade fora;
- Encouraging countries to measure and manage agricultural greenhouse gas emissions through the GRA and agriculture-related multilateral processes; and
- Working to deepen cooperation with others in supporting domestic and international action, including through our formal **bilateral arrangements** on climate change issues with Australia and China and through the ASEAN Regional Plan of Action.

## Part Three

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# Significant near-term policy decisions



## Issues for immediate decision

<b>Paris Agreement Anniversary Summit</b>
12 December 2020 is the fifth anniversary of the Paris Agreement. The United Nations Secretary-General, UK Prime Minister and French President will host a Summit at which (only) leaders with ambitious climate change announcements will be invited to speak. We expect some countries may announce increased NDCs at the meeting. Other targets (e.g., zero emission vehicles by X date), long-term strategies, and new climate finance contributions may also be showcased. We will provide early advice on New Zealand's engagement.
<b>COVID-19: Green Recovery</b>
New Zealand has an opportunity to align its COVID-19 recovery with transition to a low emissions economy and to call for others to do so. Our own vulnerability to escalating impacts of climate change underscores our need for all countries to grasp the opportunity to accelerate their decarbonisation. Advocating internationally for green recovery is consistent with New Zealand's commitment to a sustainable future and our commitment to the Paris Agreement as well as our support for the Pacific. We will provide early advice on advancing this issue.
<b>Climate Finance Strategy</b>
New Zealand's current climate finance commitment, announced by Prime Minister Ardern in 2018, is to spend at least \$300 million over four years (2019-2022) on climate-related support for developing countries. Despite COVID-19, we remain on track to meet that commitment. At least two thirds of the funding will be spent in the Pacific, and at least 50 per cent on adaptation to climate change effects. A large proportion of New Zealand's support is delivered bilaterally through the work of the New Zealand Aid Programme, complemented by contributions to multilateral funds and programmes, and Pacific regional organisations focusing on climate change.  You and the Minister of Foreign Affairs will need to approve a submission to the UNFCCC outlining our climate finance intentions for the next two years before the end of 2020.
<b>US presidential election</b>
The US presidential election will have implications for New Zealand, regardless of the outcome. Whether the next administration is Republican or Democrat, strengthening our bilateral trade and economic relationship will remain a priority. Officials will provide detailed advice with options for New Zealand's engagement with the next administration following the US presidential election. The inauguration of the next administration will take place on 20 January 2021.

## Priority issues for ministerial engagement

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### New Zealand's Nationally Determined Contribution

In April 2020, you authorised a communication to the UNFCCC advising New Zealand would not at that time revise its Nationally Determined Contribution (NDC), but would seek advice from the Climate Change Commission on the compatibility of the current 2030 emission reduction target with a global average temperature limit of 1.5 degrees Celsius. The Climate Change Commission will make recommendations to the Government on the compatibility of the NDC with a 1.5° temperature limit by the end of May 2021. As any change to the NDC will be later than the Paris Agreement deadline of March 2020, we will need to give swift consideration to the Climate Change Commission's report and any implications for changes to New Zealand's NDC.

### Use of international carbon markets

Effective international carbon markets with environmental integrity can reduce cost and allow for greater ambition. The Paris Agreement anticipates that countries will cooperate through carbon markets to meet ambitious targets more cost effectively, delivering greater volumes of emissions reductions than would otherwise be delivered through domestic action.

New Zealand's international emission reduction targets have been developed with the use of carbon markets in mind. Meeting our 2030 target through domestic action alone would be costly and difficult. Our principal policy instrument for reducing emissions – the New Zealand Emissions Trading Scheme (NZ ETS) could connect with other emissions trading systems to allow for greater market liquidity and the managed transfer of emission reductions towards our target.

We need a plan to deliver our NDC because the quantum of emission reductions required to meet the NDC is greater than that required for the 2050 'net zero' target, which will be delivered by the Emissions Reduction Plan. Ministers will need to make decisions in the near term about some of the parameters for New Zealand access to international emission reductions. We will provide advice on progressing options for this in due course.

### COP 26

The UK holds the incoming Presidency of the 26th Conference of Parties to the UNFCCC (COP26), now expected to be held in Glasgow in November 2021. COP26 is recognised as a pivotal conference: originally, due to it being the first opportunity to assess the Paris Agreement ratchet mechanism in galvanising a set of more ambitious NDCs, and a corresponding uplift in support for developing countries. But it has now assumed significance as a key milestone in ensuring climate change is integrated into countries' COVID-19 recovery strategies.

New Zealand has an opportunity to play a role as a champion for one of the UK's COP related initiatives around which the UK hopes to catalyse ambition. We will provide advice on progressing this opportunity in coming weeks.

## Climate Finance

COP26 is being framed as the 'finance COP', with the beginning of deliberations for the post-2025 collective finance goal (from a floor of USD \$100 billion per annum) being a key component and likely to impact progress on other negotiating items. We will provide advice for you and the Minister of Foreign Affairs on our approach to the negotiations for decision in early 2021.

## Climate Change in Free Trade Agreements

New Zealand has three trade agreements currently under negotiation that provide opportunities to ensure trade policy and climate policy are mutually reinforcing:

- The **EU-NZ FTA** presents an opportunity to agree to expand cooperation and technical exchange on trade-related climate issues. Negotiations are ongoing.
- The **UK-NZ FTA** is still at early stages, but we have an opportunity to be ambitious given the UK's strong interest in doing so signalled to date.
- New Zealand launched the **Agreement on Climate Change, Trade and Sustainability (ACCTS)** in 2018, alongside several other small, trade-dependent countries. ACCTS will bring together some of the inter-related elements of the climate change, trade and sustainable development agendas. Once initial negotiations on ACCTS conclude, the ACCTS will then be open for other WTO members to join if they are able to meet the required commitments. The ACCTS initiative is expected to be a pathfinder toward multilateral action and provide an example of how trade rules can substantively help address climate change and other serious environmental challenges.

As Minister of Climate Change, from time to time you may wish to encourage your international counterparts to give climate action greater prominence in these agreements and in trade policy generally, with a view to promoting greater impact for climate change measures. We will provide appropriate briefing.

## Carbon Border Adjustments

In the EU, the increased trade and climate focus has taken the form of a proposal on a Carbon Border Adjustment (CBA) mechanism<sup>2</sup>. US Democratic Party candidate Joe Biden has stated his Administration would also look to implement a CBA, should he win the November election. Officials are considering the range of technical, legal and political complexities associated with CBAs. We will provide advice in due course.

## Sustainable Food Systems

The significance of agriculture in New Zealand's emissions profile has led to years of investment by successive governments in research and development to find ways to address agricultural emissions. The world continues to look to us to show leadership.

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<sup>2</sup> Carbon border adjustments are import fees levied by carbon-taxing countries on goods manufactured by non-carbon-taxing countries.

The challenge of shaping the future of food systems in an emissions constrained world is also acutely relevant to New Zealand's exports. We have established domestic policy and research programmes that target reducing agricultural emissions. There is an increasing need to complement that work with a narrative that articulates New Zealand's vision of how livestock production co-exists with a sustainable, low emissions future. We will provide advice on the new narrative as work progresses.

## Cabinet and Parliamentary business

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### Cabinet agenda to March 2021

The following table identifies issues that the Ministry recommends be considered by Cabinet Committees over coming months. Scheduling of Cabinet papers is at your discretion, and will be coordinated between the Ministry and your office.

ISSUE	PURPOSE OF PAPER	TIMING
<b>Carbon Market Linkages – next steps</b>	<ul style="list-style-type: none"> <li>Provides Cabinet an update on technical exchanges carried out with other jurisdictions with ETSs and seeks agreement to proceed with next steps necessary to maintain the option of establishing linkages with those.</li> </ul>	November/December
<b>Long Term Low Emissions Development Strategy</b>	<ul style="list-style-type: none"> <li>Seeks Cabinet's agreement to a proposed communication about New Zealand's Long Term Low Emissions Development Strategy to be submitted to the United Nations Framework Convention on Climate Change</li> </ul>	December



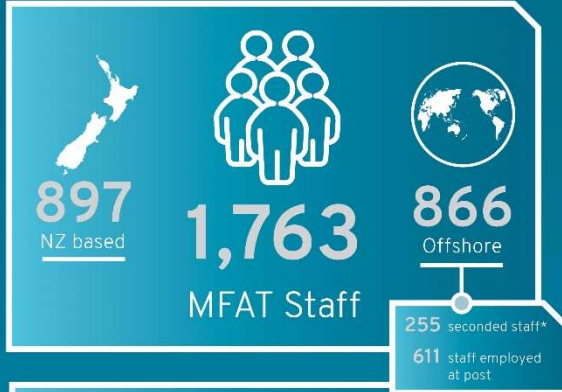
## Part Four

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# The Ministry of Foreign Affairs and Trade



# A Snapshot of MFAT



## Where MFAT people work in NZ

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Trade and Economic Group .....	<b>80</b>

## Key data

Vote Foreign Affairs for 2020-21 =

**\$1,443.6 million**

(including \$776.6 million for international development cooperation)

Capital Expenditure for 2020-21 =

**\$73.3 million**

<b>4</b>	ministerial portfolios
<b>32</b>	pieces of legislation administered
<b>13</b>	NZ Inc agency partners offshore
<b>168</b>	missions/consular posts resident in or accredited to New Zealand supported
<b>51</b>	languages spoken by MFAT staff

## Our network

<b>59</b>	posts in <b>52</b> countries
<b>115</b>	accreditations to other countries
<b>74</b>	Honorary Consuls
<b>2</b>	NZ offices
<b>330</b>	properties managed in our portfolio

## MFAT's offshore footprint

Africa .....	<b>9</b>
Americas .....	<b>41</b>
Asia .....	<b>89</b>
Australia .....	<b>9</b>
Europe .....	<b>60</b>
Middle East .....	<b>21</b>
Pacific .....	<b>47</b>

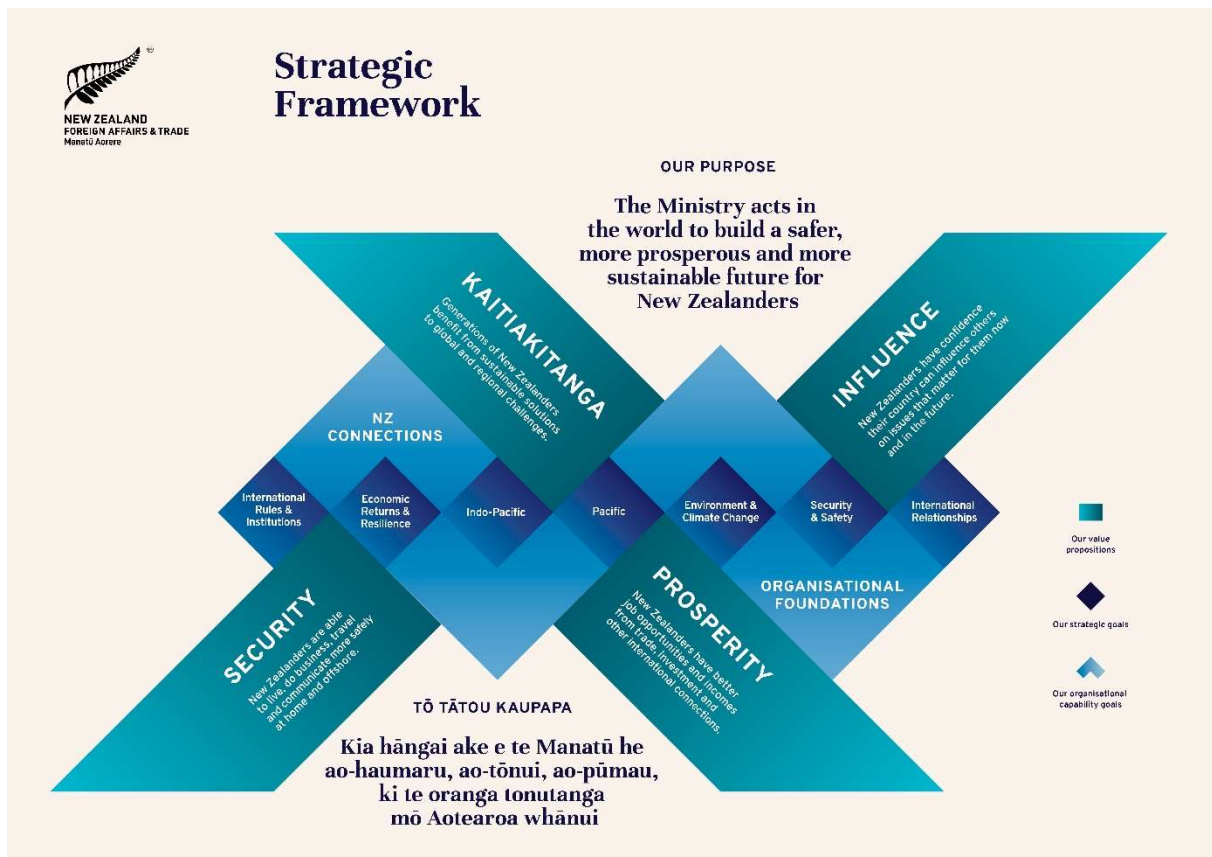
\*Numbers represent actual seconded staff at posts at 1 September 2020 reflecting COVID-19 impacts.

**SEPTEMBER 2020**

## MFAT locations around the world and in NZ



## Purpose, strategic framework and priorities



The Ministry's Strategic Framework sets out our purpose, the value we deliver to New Zealanders, and the collective impact we aim to achieve over a ten year period through our seven strategic goals, supported by our organisational capability goals.

The detailed content of the Strategic Framework is contained in the Ministry's Strategic Intentions 2020-24 (a copy of which is enclosed with this briefing). The enduring, high level components are set out below.

### Our purpose

**The Ministry acts in the world to build a safer, more prosperous and more sustainable future for New Zealanders**

**Kia hāngai ake e te Manatū he ao-haumarū, ao-tōnui, ao-pūmau, ki te oranga tonutanga mō Aotearoa whānui.**

## Our value propositions: how we contribute to New Zealanders' wellbeing

In line with our purpose, the Ministry exists to deliver value to New Zealanders and contribute to their wellbeing. Our four value propositions are:

- **Kaitiakitanga:** Generations of New Zealanders benefit from sustainable solutions to global and regional challenges;
- **Security:** New Zealanders are able to live, do business, travel and communicate more safely at home and offshore;
- **Prosperity:** New Zealanders have better job opportunities and incomes from trade, investment and other international connections;
- **Influence:** New Zealanders have confidence their country can influence others on issues that matter to them, now and in the future

The contribution we make to New Zealanders' wellbeing in these four areas is at the heart of our Strategic Framework and is linked to the four capitals in the Living Standards Framework (LSF), as illustrated on page 43.

The Ministry's principal contribution to wellbeing as defined in the LSF is through the four capitals (natural, human, social, financial/physical) — the "foundations of wellbeing that together generate wellbeing now and in the future."

New Zealand's interdependence with other countries and the impacts of a shifting global environment mean that the Ministry's role in establishing and maintaining strong international connections, effective relationships with a diverse range of partners, a voice in international fora and a range of robust rules and norms that serve our interests is important to build capital stocks and manage risks related to them. For our wellbeing, New Zealand relies on global public goods, such as the atmosphere, economic stability and global institutions, rules and agreements. We both invest in and benefit from these international assets.

In turn, New Zealand's value proposition internationally is underpinned by the domestic strengths and values that make up the wellbeing capitals. These include our commitment to democracy and the rule of law, the integrity of our public service and governance institutions, the strength of our economic and environmental management and our values of fairness, openness and tolerance. We leverage these intrinsic advantages to promote New Zealand's interests in the world.

## Our priorities to June 2021

The Ministry's Senior Leadership Team has endorsed 11 Priority Issues and Projects (PIPs) as **areas of focus for the period May 2020 to June 2021**.

Priority Issues and Projects to June 2021	
1	Recalibrate our trade and economic work to support New Zealand's economic recovery and longer term resilience;
2	Recalibrate our Pacific work to respond to COVID-19;
3	Assist New Zealanders impacted by COVID-19 offshore and work with others on impacted foreign nationals in New Zealand;
4	Maintain and restore safe international transport connections and people movement;
5	Build Indo-Pacific regional resilience;
6	Support the global system's response to the COVID-19 crisis;
7	Provide diplomatic support for national health objectives, with a focus on securing a COVID-19 vaccine;
8	Support APEC's contribution to regional economic recovery and host a successful APEC;
9	Sustain and encourage international cooperation on climate change;
10	Sustaining and building relationships and coalitions with key partners;
11	Adapt our diplomatic engagement for a COVID-19 environment.



# Our value propositions: What MEAT does to contribute to New Zealanders' wellbeing



## KAITIAKITANGA

Generations of New Zealanders benefit from sustainable solutions to global and regional challenges.



Wairua and passage upgrade in Tairāhema, co-funded by New Zealand Government, 2019. Credit: MEAT



New Zealanders' long-term wellbeing depends on the international community working together to safeguard shared global resources, promote global norms and achieve sustainable development. We lead New Zealand's contribution to these efforts, ensuring New Zealand has a say on decisions that affect it and people around the world now and in the future. Specifically, we:

- support the international and regional institutions that resolve problems which cross borders and impact on global wellbeing.
- work with other countries to address environmental and natural resource challenges by negotiating and implementing agreements on issues such as climate change and over-fishing.
- contribute to global efforts to achieve sustainable development.
- deliver New Zealand's international development cooperation, with a focus on the Pacific region, and lead responses to humanitarian crises and natural disasters.
- promote global rules and legal frameworks on issues such as human rights and support the international justice system.
- protect Antarctica.

## INFLUENCE

New Zealanders have confidence their country can influence others on issues that matter for them now and in the future.



Craig Ramsay, Permanent Representative of New Zealand to the United Nations, addresses the General Assembly debate 2020. Credit: UN Photo/amy Topley



The international dimension of New Zealanders' wellbeing depends on New Zealand's ability to influence the decisions of other countries and organisations. The Ministry works to ensure that New Zealand has the relationships and levers to achieve what matters to us. Specifically, we:

- sustain through the way we work New Zealand's reputation for being a principled, fair and constructive participant in global and regional affairs – a country others want to work with and do business with.
- work to strengthen institutions and rules that give small states influence and protect their interests.
- build trust and long-term capital in our relationships with other countries so that when we need their support, we can secure it.
- build worldwide coalitions to support initiatives on issues that are important to New Zealand and where we have expertise.

## SECURITY

New Zealanders are able to live, do business, travel and communicate more safely at home and offshore.



The NZ12100 returning to Vanuatu. Recounseled Seasonal Employer Scheme workers disembarking the NZ12100 facilitated repatriation flight on 18 June 2020. Credit: Airport Vanuatu Limited



New Zealanders' ability to operate in safe environments, whether in New Zealand, offshore or online, can be threatened by international factors ranging from conflict to cyber attacks. The Ministry is New Zealand's voice in the fora that address security issues affecting New Zealand, our region and the world. We also provide the consular services that help keep New Zealanders safe and informed when they live or travel overseas. Specifically, we:

- lead New Zealand's contribution to global and regional efforts to promote peace and security, working through the United Nations and Indo-Pacific fora, as well as directly with other countries.
- work with international partners on rules and capacity-building to reduce threats from cyber and terrorist attacks, illegal migration, transnational crime and other threats.
- help advance global disarmament and rules against the proliferation of weapons.
- provide safe travel information, help New Zealanders affected by crises and other problems overseas and ensure their rights are protected.

## PROSPERITY

New Zealanders have better job opportunities and incomes from trade, investment and other international connections.



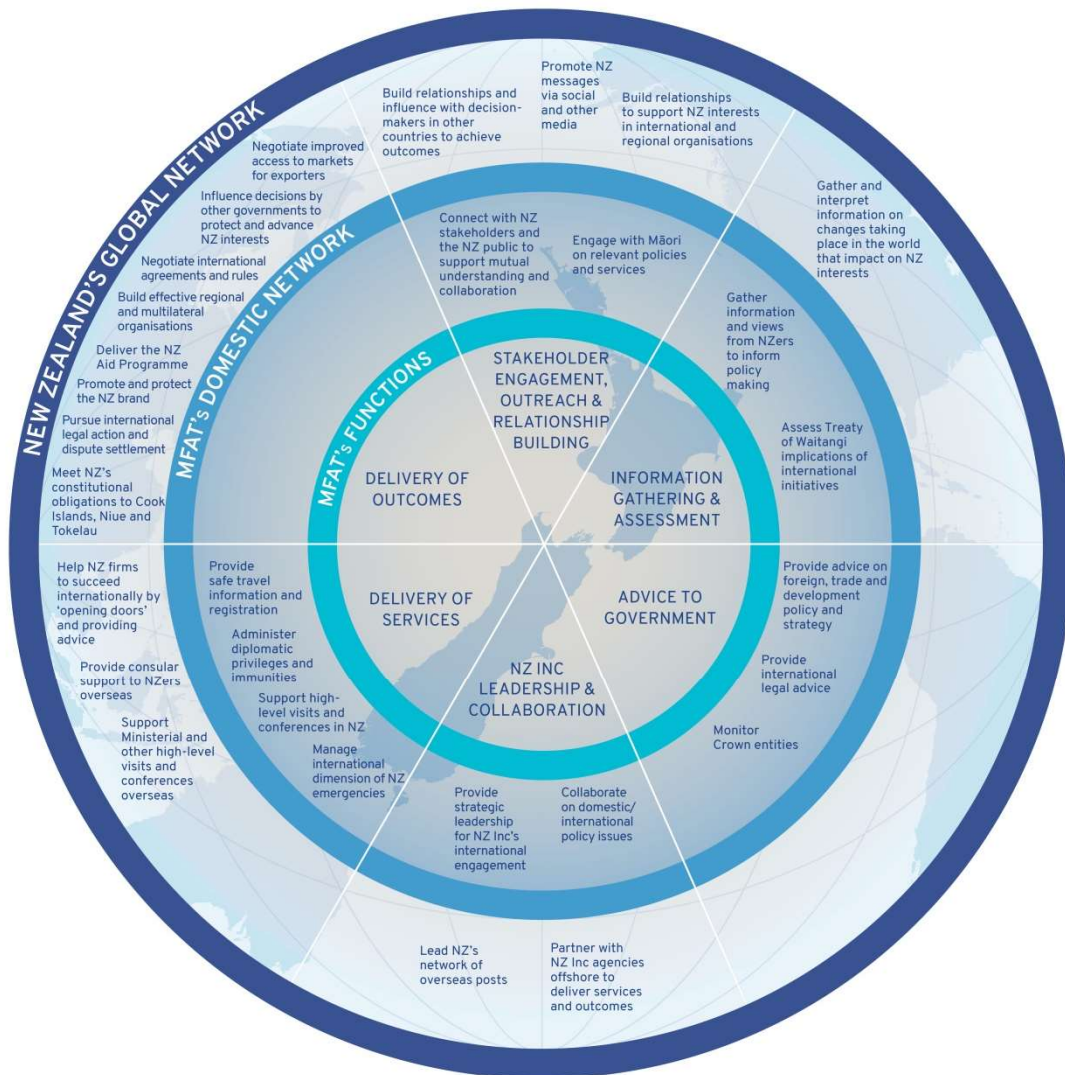
Export promotion event in Holland, supported by ECHO, 2019. Credit: MEAT



International trade and investment are essential for New Zealanders' prosperity and standard of living. One in four jobs depends on exports. The Ministry negotiates the reduction and removal of barriers to trade and investment, defends access to overseas markets and helps exporters succeed. Specifically, we:

- help build global and regional trade rules and frameworks through the World Trade Organisation and fora such as Asia-Pacific Economic Cooperation (APEC). These make it easier for New Zealanders to conduct international business.
- open up and protect diverse exporting and investment opportunities through negotiating free trade agreements and tackling non-tariff barriers.
- defend New Zealand's access rights including through taking dispute settlement action when other countries don't keep their commitments.
- help New Zealanders through our network of overseas posts to succeed in international markets and support international connections in areas such as research.
- promote the New Zealand brand and protect it when it's put at risk.

# What MFAT does in New Zealand and around the world to deliver value to New Zealanders



## Functions and footprint

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### The Ministry's functions

The Ministry of Foreign Affairs and Trade is the Government's principal agent for pursuing the country's interests and representing New Zealand internationally. We build connections with and influence other countries to advance New Zealand's interests, project New Zealand values and secure outcomes that matter to New Zealand. We pursue the Government's international priorities and provide advice to the Government on the implications for New Zealand of what is happening in the world.

We lead the New Zealand Government diplomatic network, a unique national asset, safeguarded by international law, able to speak with an authoritative voice, and with heads of mission and post formally charged with representing the state.

We are the Government's specialist foreign, trade and development policy adviser, international legal adviser and negotiator. We are responsible for delivering New Zealand Official Development Assistance and for providing consular services to New Zealanders overseas and coordinating offshore emergency responses.

The full range of functions that the Ministry undertakes, both in New Zealand and internationally, is set out in the diagram on page 44.

The legislation the Ministry administers and the statutory responsibilities of the Secretary of Foreign Affairs and Trade are laid out in Appendix 1.

### Where we operate and how we organise ourselves

The head office structure and the top three tiers of the Ministry's leadership are set out on page 47. The Ministry is organised around geographic regions, policy functions and corporate functions.

In New Zealand, in addition to our Wellington head office, we have an office in Auckland which is focused on business engagement and outreach to the Pacific community. It also assists with VIPs visiting or transiting through Auckland. The Auckland office can serve as a base for your Auckland engagement. It is co-located with New Zealand Trade and Enterprise (NZTE).

The Ministry's global network comprises 59 posts in 52 countries. In addition, NZTE Trade Commissioners lead a further nine Consulates-General. The entire NZ Inc network with agency representation is illustrated in Appendix 1.

Heads of mission/post are identified on pages 48-9. Beyond the 52 countries where they are based, posts have diplomatic cross-accreditations to a further 110 countries. These cross-accreditations are a cost-effective way of extending the reach of our network beyond the countries where we have established physical posts, and are in some locations usefully supplemented by the appointment of Honorary Consuls.

## COVID-19 impacts

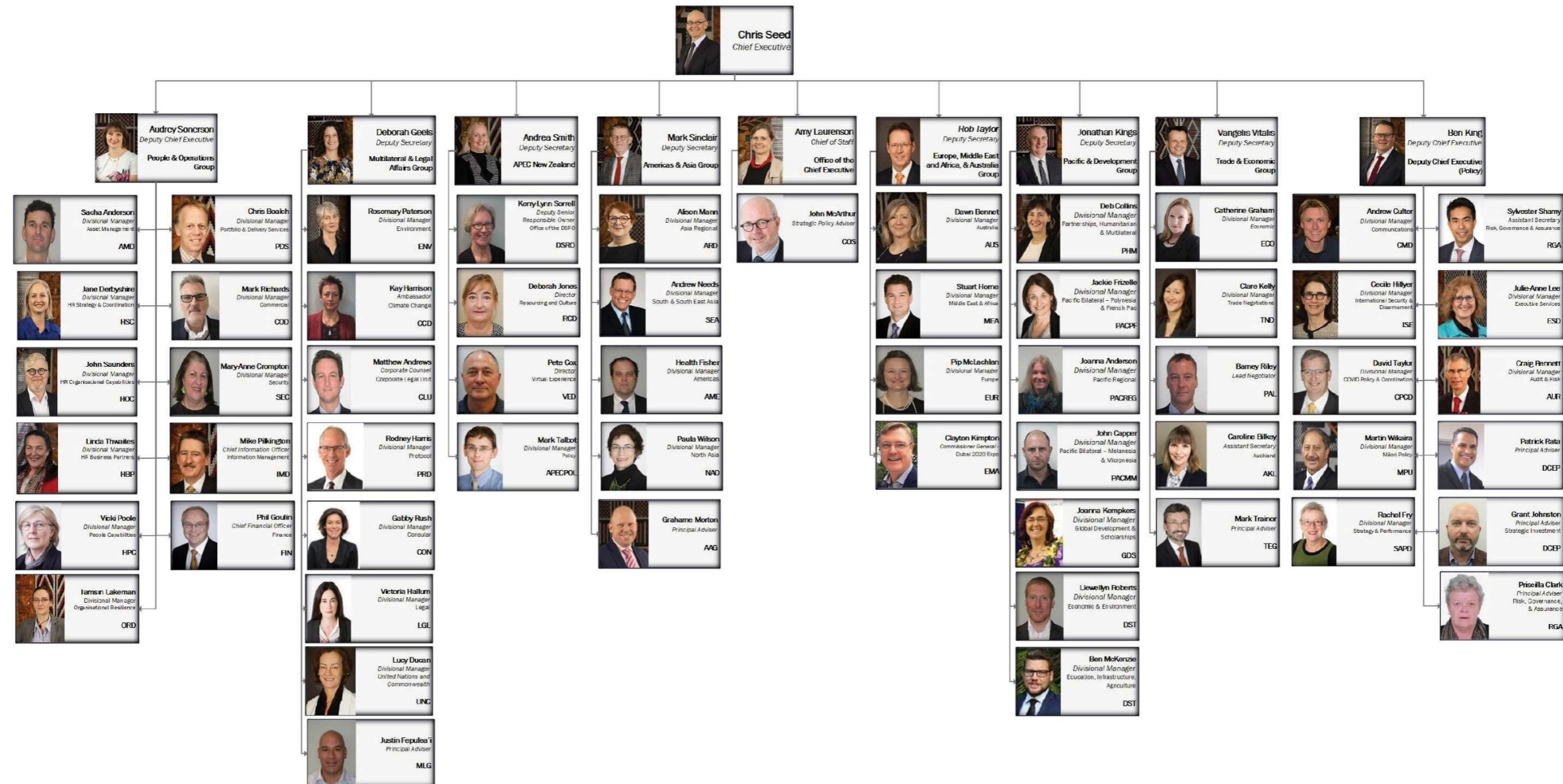
Over last nine months the Ministry has temporarily closed eight posts due to extreme COVID-19-related health and safety risks, three of which have are due to re-open. These closures are kept under regular review. In locations where posts have been closed, staff employed at post remain in place performing some consular duties and maintaining the premises.

The landscape off-shore is changing as we maintain offices, staff and families in high risk COVID-19 contexts that continue to be subject to tight restrictions on movement. The Ministry faces significant challenges in relation to health and safety, staffing levels, family wellbeing, and ensuring sufficient leave and respite options are available. We will also look to an early discussion with you about the spread and scale of our offshore footprint.

In New Zealand, the Ministry stood down a COVID-19 Emergency Coordination Centre in June 2020 that had run for five months. In its place, two temporary COVID-19 teams have been established to manage the longer-running policy and organisational response and increase our capacity on pressing consular and protocol issues. These temporary structures are intended to be in place throughout 2021 with regular review. They are specifically to ensure that the Ministry can focus policy effort in support of the All-of-Government COVID-19 effort as well as sustain the post network in an increasingly uncertain set of environments. The additional roles required were managed from within baseline through re-prioritisation.

# Ministry of Foreign Affairs and Trade – Leaders

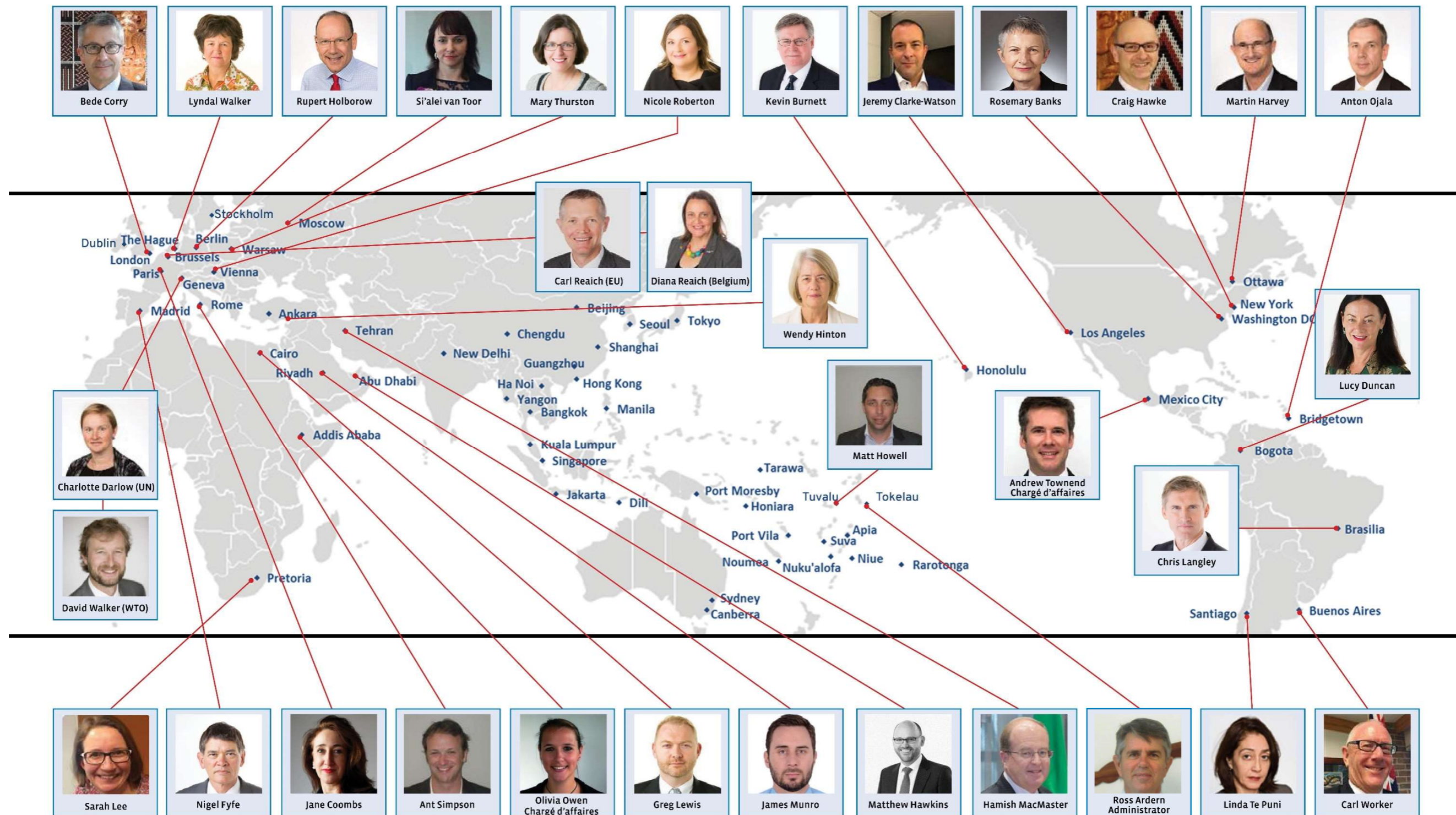
As at 3 November 2020



UNCLASSIFIED

# Ministry of Foreign Affairs and Trade Heads of Mission

As at 3 November 2020



UNCLASSIFIED

1 of 2

## As at 3 November 2020





## Consular services and emergency responses

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### Consular services

The Ministry provides a range of services to New Zealanders travelling and residing overseas. These include providing help during crises such as terrorist incidents and natural disasters, helping New Zealanders who are sick or injured, assisting with arrangements following a death, undertaking welfare visits for those arrested or detained, and providing notarial services such as statutory declarations for use under New Zealand law. These services aim to support New Zealanders to help themselves.

There is no automatic right for New Zealanders in distress overseas to receive financial assistance from the Government. But in exceptional circumstances – where there is an immediate threat to a person's safety and well-being, and specified criteria are met – the Ministry can provide a consular loan which the New Zealander must agree to pay back.

The Ministry has an important role in establishing, updating and disseminating travel advice for destinations around the world, including through its SafeTravel website. Travel advisories are based strictly on safety and security risks to New Zealanders rather than political or foreign policy considerations and are reviewed regularly. The Ministry's SafeTravel registration system allows travellers to register their details and destination with the Ministry when they are traveling or residing overseas. Important messages and travel advice updates can then be sent to those registered. The current travel advisory was moved to 'do not travel' for all overseas destinations (an unprecedented move) on 19 March 2020 due to COVID-19, and remains at this level. A framework for assessing whether to lower the travel advice level for some countries on an exceptions basis was agreed by Ministers under the previous government. The Ministry will consult the new government on any proposal to lower advisories from 'do not travel' before taking any such action.

The Ministry will also provide regular situation reports and case summaries to you about significant incidents offshore and sensitive consular cases. We will continue to seek ministerial direction and advice on a small number of particularly sensitive cases. Consular issues generate high media interest and updates are often sought on significant or high-profile events, for example natural disasters and terrorist attacks, particularly if New Zealanders are involved. Media lines will be included in reporting to you.

Consular services are delivered by staff at posts and in Consular Division in Wellington. Assistance is available on a 24/7 basis, monitored by an after-hours call centre and consular duty staff. We work closely with Five Nations partners to share experiences and provide consular coverage in places where we (or they) are not represented.

The COVID-19 pandemic has presented an unprecedented challenge given the need to provide consular services at scale. The pandemic has also underlined the need for the Ministry to maintain and strengthen over the longer term a robust capacity to deliver consular services across the post network with support from Wellington, even in difficult

operating circumstances. The Ministry's Consular Division has increased in size to manage the current increase in and complexity of consular cases and to support an ongoing need to assist New Zealanders to repatriate. For the longer term, the Ministry is reviewing its COVID-19 response, including consular functions, to strengthen capacity.

The annual Consular Satisfaction Survey for 2020 found 75 per cent of customers were either satisfied or very satisfied with services received, down from 84 per cent satisfaction in 2019. The survey concluded pandemic challenges had generally stretched the service.

## Disaster relief and humanitarian response

The Ministry is the lead agency for offshore emergency response and the Minister of Foreign Affairs approves all deployments of New Zealand Government personnel and assets in a response.

## National emergencies in New Zealand affecting foreign nationals

During a domestic incident, the Ministry has legislative obligations to support the National Emergency Management Agency under the National Civil Defence Emergency Management Plan Order 2015. The Ministry, through the Protocol Division, is responsible for communicating with foreign governments and international organisations on all aspects of the emergency, including on the safety and whereabouts of foreign nationals. The Ministry also usually manages offers of, and requests for, international assistance; condolence messages; and facilitates VIP visitors to New Zealand. Ministry staff will often deploy to the disaster area so they can engage seamlessly with emergency response teams on the ground and act as the interface between the teams and foreign missions.

## New Zealand connections

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### New Zealand partnerships

The Ministry's performance as a New Zealand public sector agency and our success in pursuing New Zealand's interests internationally rely on strong connections at home.

The Ministry is committed to a systematic, collaborative and transparent approach to working with New Zealand partners and engaging with Māori, other stakeholders and the New Zealand public.

Our partnership with other government agencies with external interests ("NZ Inc") is critical to delivery of results for New Zealanders. The Ministry leads and supports an integrated NZ Inc approach, both onshore and offshore, to maximise collective impact in pursuing the Government's objectives internationally. Our work with NZ Inc agencies involves strategic leadership on international issues and engagement, a high level of collaboration on delivery of shared objectives, and practical services for agencies with staff offshore, many of whom are located in Ministry offices.<sup>3</sup>

With domestic and international policy increasingly linked, the Ministry collaborates with many other government agencies in New Zealand by contributing to cross-agency coordination and policy-making on Pacific policy, economic policy, the national security system and climate change/natural resources. The growing complexity of international relations, and the increasing interplay between foreign and domestic policy, are deepening this collaboration. COVID-19 has increased demand for rapid policy development in new areas and brought new domestic interdependencies to the fore.

The Ministry has extensive engagement with New Zealand stakeholders across business, iwi, non-government organisations (NGOs), local government, Pasifika and Asian communities, and academia in order to inform development of policy and negotiating objectives and to pursue mutually beneficial partnerships.

The Ministry uses a range of digital channels for communicating with New Zealanders. These include our main website [www.mfat.govt.nz](http://www.mfat.govt.nz) and, for travel advice, [www.safetravel.govt.nz](http://www.safetravel.govt.nz) as well as two trade-related websites (with a third to be launched shortly) and a repository of New Zealand's treaties. The Ministry also uses an official Twitter account @MFATgovtNZ, and our offshore posts have a social media platform of 50-plus Facebook pages and 50-plus Twitter accounts.

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<sup>3</sup> The key agencies represented offshore are the Department of Internal Affairs, Education New Zealand, Ministry of Business Innovation and Employment, Ministry for Primary Industries, New Zealand Customs Service, New Zealand Defence Force, New Zealand Police, New Zealand Trade and Enterprise, The Treasury, and Tourism New Zealand.

## Māori/Crown relationship

The Ministry recognises the importance of Te Tiriti o Waitangi as New Zealand's founding document and the basis of the relationship between the Crown and Māori. The principles of Te Tiriti – including partnership, good faith, and active protection – are at the core of our work. As the national and global landscape changes, we appreciate that how we interpret and apply those principles will need to adapt, but the relevance and importance of Te Tiriti will remain.

The Ministry is committed to delivering on our obligations as a Treaty partner with authenticity and integrity and to advancing Māori interests in our international work. We are conscious that the mana of Te Tiriti o Waitangi and the enduring relationship between Māori and the Crown make New Zealand unique on the world stage.

The Ministry's Māori Engagement Strategy, which was adopted in 2017 with a four-year horizon, sets out our enduring commitment to and aspirations for our relationship with Māori. In implementing the Strategy, we aim to improve the way we engage, partner and consult with Māori in order to ensure Māori are able to influence the development and implementation of Ministry-led issues and activities that affect them.

The Strategy also drives efforts to build Māori capability and capacity in the Ministry. We want our people to have the confidence to use Mātauranga Māori in their mahi in a way that brings mana to the Ministry and represents Māori interests with authenticity offshore. Lifting our Mātauranga Māori capability is one of four organisational priorities for 2020. The Ministry is also actively working to attract and retain Māori staff.

As part of our enhanced engagement with Māori, in 2019 the Ministry entered into an agreement to establish Te Taumata. Te Taumata is a unique and independent engagement model involving a group of recognised leaders in Māori socio-economic and cultural development chosen by Māori to engage with the Ministry on trade matters.

We are committed to ensuring the Ministry is well placed to meet our obligation under the Public Service Act 2020 to support the Crown in its relationships with Māori under the Treaty and to build the Māori capability and capacity required to deliver this.

## Budget

**Vote Foreign Affairs** funds the Ministry's operating costs, Official Development Assistance, Crown entities and charitable trusts, membership of international organisations, obligations under the Vienna Convention to resident diplomatic missions, as well as short-term additional costs for one-off events, which include the cost of hosting APEC 21 and New Zealand's participation at the Dubai Expo.

VOTE FOREIGN AFFAIRS BASELINE – PREFU 2020	2020/21 \$M	2021/22 \$M	2022/23 \$M	2023/24 \$M	2024/25 \$M
<b>Ministry's Operating Expenditure</b> (includes the cost of managing ODA)	492.115	491.619	486.618	494.221	492.059
<b>APEC 21 programme</b>	37.356	20.140	-	-	-
<b>Ministry's Capital Expenditure</b>	66.200	55.560	68.304	81.025	76.040
<b>Official Development Assistance (International Development Cooperation)</b>	825.317	819.517	858.167	860.955	860.955
<b>Other non-departmental expenditure, made up of:</b>	118.746	98.372	91.399	90.899	90.899
<i>Antarctica NZ (Operating)</i>	20.820	20.820	20.820	20.820	20.820
<i>Antarctica NZ (Capital)</i>	7.100	-	-	-	-
<i>Pacific Broadcasting Services</i>	0.000	0.000	0.000	0.000	0.000
<i>Pacific Cooperation Foundation</i>	1.400	1.400	1.400	1.400	1.400
<i>Asia NZ Foundation</i>	5.500	5.500	5.500	5.500	5.500
<i>Rate refunds for Diplomatic Missions resident in NZ</i>	2.400	2.400	2.400	2.400	2.400
<i>Subscriptions to International Organisations</i>	60.729	60.729	60.729	60.729	60.729
<i>Dubai Expo</i>	27.747	7.473	0.500	-	-
<i>NZ Employees Working Overseas PLA</i>	0.000	0.000	0.000	0.000	0.000
<i>Consular Loan Expenses</i>	0.150	0.050	0.050	0.050	0.050
<i>Capital - Consular Loans</i>	5.000	0.100	0.100	0.100	0.100
<b>Total Vote Foreign Affairs</b>	1,539.734	1,485.278	1,504.488	1,525.100	1,519.953

**Foreign Affairs and Trade Funding:** Across the last three budgets (2018, 2019 and 2020) the Ministry received new operating funding totalling \$436.764 million over four years (including \$184.140 million for APEC 2021 and \$87.590 million to manage the delivery of ODA) and capital funding of \$88.16 million for additional capability, cost pressures and to invest in the infrastructure of its posts in the Pacific. In June 2020,

Cabinet agreed that New Zealand would host a largely virtual APEC in 2021, and as a result agreed that the amount appropriated for APEC be reduced by \$107.600 million. In Budget 2019, funding was reduced by \$20.217 million to provide an efficiency dividend. Funding increases largely end this financial year and the Ministry is faced with a flat-lined budget into the future.

**Other funding provided:** The main other areas that have received funding in the last three years are New Zealand's participation in the Dubai Expo (\$61.020 million) and the Scott Base Redevelopment Project (\$18.500 million).

## Asset portfolio

The Ministry's \$554 million asset base comprises property (91 per cent), information and communication technology (8 per cent) and motor vehicles (1 per cent).

CAPITAL 30 JUNE 2020	ASSETS	AT	PROPERTY \$M	TECHNOLOGY \$M	VEHICLES \$M	TOTAL \$M
Cost			617.791	111.964	10.542	740.297
Accumulated depreciation			114.633	66.892	5.002	186.527
Carrying value			503.158	45.072	5.540	553.770

The Ministry actively manages a portfolio of approximately 333 properties (24 per cent owned and 76 per cent leased) around the world to support the Government's international objectives.

The Ministry meets most of the costs (operating and capital) of the office accommodation of the overseas network. Other New Zealand agencies contribute to the cost of their office accommodation on a marginal cost basis. This pricing model is applied to incentivise co-location of New Zealand agencies overseas.

## Investment planning and management

The Ministry is planning to invest capital of \$552 million over the next 10 years. This investment primarily reflects the Ministry's asset replacement cycle that is funded from existing resources (including those that will accumulate over the period). It also includes capital contributions of \$47.825 million for Pacific infrastructure projects between 2020 and 2024. The major projects under way include:

### Property

- Colombo: new post establishment;
- Moscow and Riyadh: Chancery upgrades;
- London: New Zealand House building refurbishment in conjunction with the United Kingdom Crown Estate;
- Suva: construction of new High Commission; and
- Pacific infrastructure projects: staff housing in Honiara, Tarawa and Port Moresby; new High Commission in Rarotonga; infrastructure replacements in Apia and Nuku'alofa, and Port Moresby Chancery refurbishment.

**Information technology**

- Human Resource Information System replacement;
- ODA management system upgrade; and
- New data centre in Hamilton.

As a "Tier 2" capital intensive agency under the Government's Investment Framework, the Ministry underwent its first Investor Confidence Rating in 2016. At the time we received an "A" rating with a score of 81. Last year the Ministry's score dropped slightly to 77, resulting in a "B" rating. Treasury advise that "... as the second round assessments are more robust, they consider clear improvements have been made by MFAT to achieve their 77 score...." As a consequence, Cabinet agreed increased approval thresholds for all baseline-funded, low and medium risk investments (from \$15 million to \$25 million for the Chief Executive and from \$25 million to \$40 million for the Minister of Foreign Affairs) be retained.

A key element in this Investor Confidence Rating is our asset management strategy that sets the principles for property-related decisions and drives longer range and transparent asset management discipline. This strategy ensures that the Ministry's property assets are fit for purpose, business-aligned, resilient and protect the wellbeing and safety of staff and represent value for money.



## Appendices

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## Appendix 1: NZ Inc offshore footprint

