

Proactive Release

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister for Trade

Title	Reference
<i>Cabinet Minute of Decision – Report of the Cabinet Economic Policy Committee: Meeting of 25 September 2024</i>	<i>CAB-24-MIN-0381</i>
<i>Cabinet Economic Policy Committee Minute of Decision: Agreement on Climate Change, Trade and Sustainability (ACCTS): Authority to Sign, Undertake Parliamentary Treaty Examination, and Ratify the Agreement</i>	<i>ECO-24-MIN-0204</i>
<i>Agreement on Climate Change, Trade and Sustainability (ACCTS): Authority to sign, undertake parliamentary treaty examination, and ratify the Agreement</i>	

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to OIA redaction codes:

- 6(a): to avoid prejudicing the security or defence of New Zealand or the international relations of the New Zealand Government;
- 6(b)(i): to protect the passing of information from another government on a confidential basis;
- 9(2)(f)(iv): to protect the confidentiality of advice tendered by Ministers of the Crown and officials.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Economic Policy Committee: Meeting of 25 September 2024

On 30 September 2024, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 27 September 2024:

Out of scope

Proactively Released by the Minister for Trade

Out of scope

ECO-25-MIN-0204

Agreement on Climate Change, Trade and Sustainability (ACCTS): Authority to Sign, Undertake Parliamentary Treaty Examination, and Ratify the Agreement
Portfolio: Trade

CONFIRMED

Out of scope

Rachel Hayward
Secretary of the Cabinet

Proactively Released by the Minister for Trade



Cabinet Economic Policy Committee

Minute of Decision

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Agreement on Climate Change, Trade and Sustainability (ACCTS): Authority to Sign, Undertake Parliamentary Treaty Examination, and Ratify the Agreement

Portfolio Trade

On 25 September 2024, the Cabinet Economic Policy Committee:

- 1 **noted** that negotiations on the *Agreement on Climate Change, Trade and Sustainability* (the ACCTS) were concluded within the approved Cabinet mandate [DEV-20-MIN-0084], and on a limited range of additional issues approved by Delegated Ministers in February and June 2024;
- 2 **noted** that the commercial benefits of the ACCTS will increase as its membership expands;
- 3 **noted** that the ACCTS will result in NZ\$1.6 million in annual tariff revenue foregone for New Zealand;
- 4 **noted** that the Minister of Finance has approved an out-of-cycle funding request to charge tariff revenue foregone from the ACCTS against the between-Budget contingency established as part of Budget 2024;
- 5 **approved** the following:
 - 5.1 the text of the ACCTS, attached as Annex 2 to the paper under ECO-24-SUB-0204, subject to any minor or technical changes arising from the final legal review of the Agreement;
 - 5.2 the content of the National Interest Analysis, attached as Annex 1 to the paper under ECO-24-SUB-0204;
- 6 **noted** the foregone tariff revenue required to ratify the ACCTS, with a corresponding impact on the operating balance and net core Crown debt, as follows:

Vote Customs Minister of Customs	\$m – increase/(decrease)			
	2024/25	2025/26	2026/27	2027/28 & Outyears
Operating balance impact*				
Tax Revenue:				
Tariffs	-	(1.600)	(1.600)	(1.600)
Total Revenue	-	(1.600)	(1.600)	(1.600)
Total Operating	-	1.600	1.600	1.600

*unless non-cash, will also impact net core Crown debt

- 7 **agreed** that the foregone tariff revenue in paragraph 6 above be charged against the between-Budget contingency established as part of Budget 2024;
- 8 **noted** that this initial cost is expected to be outweighed over the medium term by improved market access for New Zealand exports;
- 9 **authorised** the Minister for Trade to approve any changes to the text of the ACCTS that do not materially alter the content between now and the public release at signature;
- 10 **authorised** officials to make minor or technical changes to the National Interest Analysis that do not materially alter its content between now and public release at signature;
- 11 **authorised** New Zealand's signature of the ACCTS;
- 12 **agreed** that the National Interest Analysis and the text of the ACCTS be released after signature and published on the Ministry of Foreign Affairs and Trade website, consistent with regular and established practice;
- 13 **agreed** that, following signature, the ACCTS and the National Interest Analysis be presented to the House of Representatives for the purposes of the parliamentary treaty examination process, under Standing Order 405;
- 14 **agreed** that the Working Tariff Document of New Zealand be amended to give effect to New Zealand's obligations under the ACCTS;
- 15 **invited** the Minister of Customs, with the agreement of the Minister of Commerce and Consumer Affairs, to submit a Tariff Amendment Order to the Executive Council to amend the Working Tariff Document to implement the tariff commitments contained in the ACCTS and to prepare an Order in Council to give effect to the decisions above;
- 16 **authorised** the New Zealand Customs Service to draft an Order in Council to give effect to the decision above;
- 17 **agreed** to ratify the ACCTS, subject to the satisfactory completion of the parliamentary treaty examination process.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Chris Bishop (Chair)
Hon Shane Jones
Hon Brooke van Velden
Hon Simeon Brown
Hon Louise Upston
Hon Todd McClay
Hon Tama Potaka
Hon Matt Doocoy
Hon Simon Watts
Hon Melissa Lee
Hon Andrew Bayly
Hon Andrew Hoggard
Hon Mark Patterson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Simon Watts
Officials Committee for ECO

[In Confidence]

Office of the Minister for Trade

Cabinet Economic Policy Committee

**Agreement on Climate Change, Trade and Sustainability (ACCTS):
Authority to sign, undertake parliamentary treaty examination, and
ratify the Agreement**

Proposal

- 1 This paper seeks Cabinet’s approval to proceed with signature of the Agreement on Climate Change, Trade and Sustainability (ACCTS, or the Agreement). Approval is also sought for the National Interest Analysis (NIA) for the ACCTS and, following signature, for presentation of the Agreement and NIA to the House of Representatives for parliamentary treaty examination, and for subsequent ratification of the Agreement once this has been successfully completed.
- 2 The paper also seeks approval to make changes consequential on entry into force of the ACCTS to the Working Tariff Document of New Zealand (the Tariff) through a Tariff Amendment Order to the Executive Council under Section 9 of the Tariff Act 1988.

Relation to government priorities

- 3 The “Speech from the Throne” on 6 December 2023 spoke to New Zealand’s active trade policy agenda that will grow exports and prosperity by strengthening relationships with key partners. The Government’s priorities include doubling our exports by value over the coming decade, strengthening New Zealand’s connections to the world, removing barriers to trade, and opening new markets.
- 4 The ACCTS is a trade agreement that improves access to markets and over time will create greater commercial opportunities for New Zealand businesses. It provides opportunities for increased trade in renewable and sustainable products for our businesses and consumers, while maintaining policy space to regulate sensitive areas in line with established practice.

Executive summary

- 5 The ACCTS is a first of its kind trade agreement that demonstrates how trade policy can deliver commercial outcomes for businesses and exporters, while also helping to address climate and other sustainability challenges. The ACCTS comprises New Zealand, Costa Rica, Iceland, and Switzerland. It is our first trade agreement with these countries outside of the World Trade Organization (WTO).
- 6 The ACCTS is an “open accession” plurilateral agreement, specifically designed to expand its membership (like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Digital Economy Partnership Agreement (DEPA)).

7 s6(b)(i)

As the Agreement grows, and as it includes more countries with whom we do not have an FTA, so too will the commercial benefit for our exporters increase.

8 The ACCTS will immediately create new commercial opportunities by eliminating tariffs on over 300 listed environmental goods exported to ACCTS members. This includes goods of commercial interest for New Zealand exporters such as timber and wood for construction, shorn wool and wool slag for insulation, recycled paper, and electric static converters.

9 While New Zealand's trade in environmental goods with current ACCTS members was only NZ\$4 million in the year ending March 2024,¹ New Zealand's global exports of the listed environmental goods in the Agreement total NZ\$2.4 billion annually, of which almost NZ\$1 billion is to countries with which New Zealand has no FTA.

10 The initial cost to New Zealand of implementing the ACCTS is NZ\$1.6 million revenue foregone per annum from removing tariffs on imports of these goods from all sources. The Minister of Finance has approved an out-of-cycle funding request to charge tariff revenue foregone from the ACCTS against the between-Budget contingency established through Budget 2024.

11 Officials estimate, however, that the benefit of additional market access for New Zealand exports will outweigh this cost over the medium term.

12 The ACCTS establishes the first legally binding framework to discipline and eliminate fossil fuel subsidies that distort trade and have a negative environmental impact. It does not require New Zealand to reduce or eliminate our small number of existing fossil fuel subsidies, although they will be subject to transparency and review. s9(2)(f)(iv)

13 The ACCTS also unlocks progress towards ensuring that private sector eco-labels do not act as non-tariff barriers that constrain New Zealand access to markets.

14 I now seek Cabinet's agreement to proceed with signature of the ACCTS, as well as approval of the NIA. I also seek approval to present the Agreement and NIA to the House of Representatives, following signature of the ACCTS, for parliamentary treaty examination and subsequent ratification of the Agreement. To enable ratification, I seek Cabinet's approval for an Order in Council under Section 9 of the Tariff Act 1988 (Tariff Act) in order to remove the duty on the goods covered by the Agreement.

15 ACCTS participants are expected to be ready to sign the Agreement in November 2024.

¹ Total goods exports to ACCTS members for the year ending June 2024 were NZ\$100 million.

Background

- 16 Negotiations on the ACCTS were launched in 2019 between New Zealand, Costa Rica, Fiji, Iceland, Norway and later Switzerland.² A Cabinet mandate for negotiations was approved by the Cabinet Economic Development Committee in May 2020 (DEV-20-MIN-0084). Negotiations concluded amongst New Zealand, Costa Rica, Iceland, and Switzerland on 20 June 2024.
- 17 The ACCTS was concluded within the Cabinet mandate (DEV-20-MIN-0084), and within parameters confirmed by submissions approved on 7 February 2024 and 11 June 2024.

Analysis

Key benefits of the ACCTS for New Zealand

Environmental Goods

- 18 The Environmental Goods Chapter liberalises trade in environmental goods, creating commercial opportunities for our exporters and making sustainable products cheaper and more accessible in New Zealand. It builds on previous negotiations at the WTO, which were intended to address similar issues but failed to achieve consensus.
- 19 With 316 products at HS 6-digit level,³ the ACCTS environmental goods list is the most comprehensive included in any international agreement, delivering reputational as well as economic benefits. While current trade flows between ACCTS members are modest, the list includes goods of commercial interest for New Zealand exporters such as timber and wood for construction, shorn wool and wool slag for insulation, recycled paper, and electric static converters.
- 20 The commercial benefit of the ACCTS for New Zealand exporters will increase as membership expands. New Zealand's global exports of the listed environmental goods total NZ\$2.4 billion annually,⁴ of which almost NZ\$1 billion is to countries with which New Zealand does not have an FTA.
- 21 Under the WTO most-favoured-nation (MFN) rule, customs duties on imports of the listed environmental goods need to be removed on imports from all sources. This will modestly reduce the cost for New Zealand consumers of a range of manufactured items.
- 22 The scope of the ACCTS environmental goods list is precedent-setting and systemically important for New Zealand exporters. It goes beyond industrial goods to recognise

² s6(a)

³ Harmonised Systems (HS) codes are used throughout the import and export process for the classification of goods and are administered by the World Customs Organization.

⁴ New Zealand global exports of timber and wood for construction (NZ\$1.1 billion), wool fibre and slag wool for insulation (NZ\$411 million); recycled paper (NZ\$153 million), and electric static converters (NZ\$205 million). Source: Statistics New Zealand.

“land-based” (or natural renewable) goods, such as slag wool for insulation, wool fibre and wood products as environmental goods.

- 23 Of particular value to New Zealand is the inclusion of 45 wood products, whose exports average NZ\$1.1 billion annually.⁵ The New Zealand Wood Processors and Manufacturers’ Association (WPMA) strongly supports the Agreement.
- 24 To manage sensitivities between Parties – including on wood products – and to encourage more countries to join the Agreement in future, the ACCTS has an option for acceding members to use a temporary special mechanism to delay tariff elimination on a maximum of 8% of items from the list of environmental goods for up to six years following the Agreement entering into force. This reduces to 4% of items for any further years until a 12-year transition period expires. There is also an option for Parties to defer tariff elimination on wood for up to three years from entry into force.
- 25 The list of environmental goods is a “living” one and subject to regular review and update. A focus in the future will be to add a range of critical minerals to this list and ensure that tariff barriers are removed for this emerging export industry. The inclusion of wood and other land-based goods sets a pathway for the future inclusion of other natural fibre, forestry, fisheries, and potentially also agricultural products as part of subsequent reviews of the ACCTS. It also sets an important precedent to build from in other agreements, including in the WTO.

Environmental Services

- 26 The Agreement covers 110 environmental and environmentally related services that have been identified as having a clear and direct link to achieving environmental goals. Each ACCTS Party has taken commitments in chosen sectors tailored to its circumstances. They have made commitments on sectors of New Zealand commercial and export interest, including sustainable agriculture and forestry consultancy services, and professional engineering and architectural services.

Eco-labelling

- 27 An emerging problem for New Zealand exporters has been the rise of “one-size-fits-all” eco-labels developed by the private sector. Some of these labelling programmes exert a powerful monopsony⁶ effect through their use by major supermarket chains. They often discriminate against external competitors like New Zealand. As the private sector is not subject to the state-to-state dispute settlement mechanism used by trade agreements, these non-tariff barriers are the focus of this Chapter, which aims to impose some discipline on their continued evolution.
- 28 The eco-labelling Chapter establishes a set of best practice and principles-based guidelines which apply to the design and implementation of voluntary, private sector eco-labels. They will facilitate trade in sustainable products while helping to prevent such labels from becoming inadvertent or deliberate barriers to trade.

⁵ Source: Statistics New Zealand.

⁶ Monopsony is a market structure where a single buyer substantially controls the market as the major purchaser of goods and services offered by many.

- 29 New Zealand's private sector (in particular, the food and beverage industries) was engaged in the development of the guidelines and has been supportive of their value.

Fossil Fuel Subsidy Reform

- 30 The Fossil Fuel Subsidies Chapter includes the first international definition and framework of prohibitions, scheduling, exceptions, and transparency measures to address harmful fossil fuel subsidies. The framework also provides a range of targeted exceptions designed to address governments' legitimate policy needs, including those of particular interest to New Zealand:
- 30.1 Time limited support to enable the generation of electricity needed to ensure the security of domestic energy supply as part of a transition to increased renewable energy;
 - 30.2 public or compulsory stockholding of fossil fuels for the improvement of energy security;
 - 30.3 temporary support for response to, direct relief of, and recovery from the effects of unexpected events including natural disasters; and
 - 30.4 energy supply for the provision of essential public services for education and health.
- 31 The Chapter builds on our previous efforts to advocate for fossil fuel subsidy reform internationally, including the most recent WTO Joint Ministerial Statement on Fossil Fuel Subsidy Reform in 2024.
- 32 The Chapter also builds on existing WTO approaches for industrial, agricultural and fisheries subsidies. New Zealand has a long-standing principled position against subsidies which use public money to distort trade, production, and investment by lowering the cost of competitors' products. Addressing fossil fuel subsidies can help level the playing field for unsubsidised New Zealand businesses, support the growth of renewable and clean energy and reduce global emissions.⁷

Key Costs of the ACCTS for New Zealand

- 33 The ACCTS will eliminate customs duties on imports of environmental goods at entry into force resulting in approximately NZ\$1.6 million annually in revenue foregone.⁸ The Minister of Finance has approved an out-of-cycle funding request to charge tariff revenue foregone from the ACCTS against the between-Budget contingency established through Budget 2024.
- 34 These initial costs are expected to be outweighed over time as membership of the ACCTS grows and market access improves for New Zealand exports of environmental goods, including wood and wool products.

⁷ In 2023, the Intergovernmental Panel on Climate Change (IPCC) estimated that the removal of fossil fuel subsidies could reduce global greenhouse gases emissions by up to 10 percent by 2030.

⁸ Based on 2022/23 import figures. Source: Statistics New Zealand.

- 35 There is scope for expansion. Almost NZ\$1 billion of New Zealand's annual exports of environmental goods listed in the ACCTS go to WTO members with which New Zealand currently has no free trade agreement, ^{s6(b)(i)}
- 36 Tariff elimination may marginally expose some of New Zealand's manufacturing sector to more competition and thereby create adjustment effects for some domestic producers. The potential negative impacts are likely to be limited, however, because the New Zealand economy is already largely liberalised.⁹

Maintaining New Zealand's Policy Space

- 37 The ACCTS establishes binding commitments on harmful fossil fuel subsidies. New Zealand will not need to reduce or eliminate our small number of existing fossil fuel subsidies, although the subsidies we provide will be subject to transparency and review. This requires New Zealand to schedule two existing fossil fuel subsidies, the fuel excise duty refund, and regional fuel tax rebate, and subject these subsidies to a policy 'status quo' standstill, meaning they cannot expand beyond current legislation.¹⁰
- 38 The ACCTS will narrow the policy space for future subsidisation, ^{s9(2)(f)(iv)}

For example, the Agreement contains an exception to enable time limited support for electricity generation to support New Zealand's energy security through a transition to increased renewable energy and electrification. ^{s9(2)(f)(iv)}

- 39 The Chapter contains a mechanism available for any Party to elect to use, the Standardised Carbon Rate Measurement (SCRM). This is a feature of many European nations where carbon pricing is a central element of a country's climate policy.¹¹ While New Zealand has not taken advantage of this mechanism, it remains open should the Government wish to do so, subject to confirmation by ACCTS members.
- 40 The ACCTS includes New Zealand's established Treaty of Waitangi exception. This ensures that the Agreement will not prevent the Crown from meeting its obligations to Māori and New Zealand's interpretation of the Treaty of Waitangi will not be subject to dispute settlement through the ACCTS.

Next Steps and Implementation

- 41 This paper seeks approval: 1) to sign the ACCTS; 2) to present the Agreement and the NIA to the House of Representatives for international treaty examination in accordance

⁹ 90% of imports on the environmental goods list already enter New Zealand duty free.

¹¹ The Ministry of Transport has indicated comfort to schedule these measures, noting that the regional fuel tax has now been revoked and provisions for issuing any outstanding rebates will expire in mid-2025. Scheduling these two subsidies will not constrain any increases in fuel excise tax, or increase in refund, nor will it restrict the potential to remove this tax.

¹¹ Iceland and Switzerland have elected to use the SCRM Mechanism, at the point of ratification. The SCRM Mechanism requires a Party to make a commitment on the level of consumption subsidies it will be able to provide as a part of its approach to climate policy taxation. Parties who make a SCRM commitment are required to increase the level of ambition of this commitment in line with climate policy increases.

with Standing Order 405; and 3) for the Minister of Customs to submit a Tariff Amendment Order to the Executive Council to implement the amendments to relevant environmental goods tariff lines in accordance with New Zealand's obligations under the ACCTS.

- 42 The text of the ACCTS has been legally verified and is attached in English as Annex 2. Once signed, the full ACCTS text will be published on the Ministry of Foreign Affairs and Trade (MFAT) website, and stakeholders alerted.
- 43 The ACCTS will enter into force when three of the four ACCTS participants have completed domestic processes and have ratified the Agreement. It is expected this will occur in the second half of 2025.

Cost-of-living Implications

- 44 The ACCTS will not have negative impacts on the cost of living for New Zealanders. In fact, the liberalisation of environmental goods will lower the cost of these products and provides greater choice and better access to a range of these products for New Zealand consumers. The ACCTS also improves market access conditions and commercial opportunities for New Zealand businesses, in turn generating commercial value for New Zealand through market diversification. Better designed and implemented ecolabels will also help to ensure that these types of labels do not become inadvertent barriers to trade.

Financial Implications

Prior to Entry into Force

- 45 The New Zealand Customs Service and the Ministry of Business, Innovation and Employment (MBIE) estimate it will take 500 hours, approximately 0.5 FTE over six months, to draft and prepare the changes to the Working Tariff Document.
- 46 Verification of translation of the ACCTS in French and Spanish by the Department of Internal Affairs will cost NZ\$12,000 and will be met by the Trade Negotiations Fund, administered by MFAT.

Post Entry into Force

- 47 Once in force, the ACCTS is estimated to reduce Crown revenue by NZ\$1.6 million per annum. This is the result of removing tariffs on imports of all goods in the ACCTS environmental goods list, from all sources. Estimated revenue foregone has been calculated based on duties collected in 2022/23 on environmental goods covered by the ACCTS.
- 48 The cost of implementing the ACCTS will be modest and will be met within forecast baseline expenditure. This includes:
- 48.1 Establishment of a New Zealand contact point in MFAT for the Eco-labelling Chapter. This is estimated to require 0.1 FTE of existing staff.
- 48.2 Costs servicing the ACCTS Joint Commission and work to expand ACCTS membership. This is estimated to require 0.75 FTE of existing staff.

Legislative Implications

- 49 To bring the ACCTS into force, amendments to the Working Tariff Document maintained under the Tariff Act 1988 are required for New Zealand to remove tariffs on an MFN basis. These changes will be made through an Order in Council under Section 9 of the Tariff Act. As the Tariff Act falls within the portfolio responsibilities of the Minister of Commerce and Consumer Affairs, I have discussed this and obtained the agreement of the Minister.

Impact Analysis

- 50 The National Impact Assessment (NIA) is attached as Annex 1. It has been prepared in accordance with the necessary requirements for a regulatory impact analysis. The NIA sets out the advantages and disadvantages of the ACCTS, the costs and benefits, as well as policy changes from the Agreement and what they mean for New Zealand.

Population Implications

- 51 Population implications, including regional impacts and impacts on Māori, are addressed in the NIA. The ACCTS is expected to support the export growth of a number of primary products of importance to the Māori economy. These include wood and timber products for construction, as well as wool fibre and slag wool.

Human Rights

- 52 There are no inconsistencies in this proposal with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 53 External resources are not expected to be required to implement the ACCTS.

Consultation

- 54 Negotiators consulted with New Zealand industries on a range of issues as the ACCTS progressed.¹² In general terms, business was very supportive of the ACCTS, with Business New Zealand and the Wood Producers and Manufacturers Association (WPMA) highlighting the commercial benefits that the ACCTS will deliver to their members over time. The New Zealand Council of Trade Unions (NZCTU) and Business New Zealand received bespoke and detailed briefings throughout negotiations.
- 55 Consultation was regularly undertaken with Te Taumata and Ngā Toki Whakarururanga.¹³ Te Taumata are supportive of the ACCTS – they see systemic and commercial value for Māori particularly for wood and wool and are seeking involvement in the implementation and future review of the ACCTS.

¹² Throughout negotiations officials met with representatives from the dairy, forestry, food and beverage, manufacturing, red meat, seafood, and viticulture sectors.

¹³ Te Taumata is a group of recognised leaders in Māori economic areas with significant networks across Māoridom. Ngā Toki Whakarururanga is a Māori representative claimant group.

- 56 Ngā Toki Whakarururanga has been critical of the Agreement. It is one of the claimants in the Waitangi Tribunal priority inquiry into the Crown's climate change policy and legislation (WAI 3325) and has cited the ACCTS in this claim.¹⁴ The inquiry is in the preliminary stages, and officials will remain engaged with Ngā Toki Whakarururanga as implementation of the ACCTS progresses.
- 57 The Department of the Prime Minister and Cabinet, The Treasury, Ministry of Business, Innovation and Employment, Ministry for Primary Industries, New Zealand Customs Service, Inland Revenue, Ministry for the Environment, and the Ministry of Transport have been consulted on this paper and concur with the paper's recommendations.

Communications

- 58 The conclusion of negotiations on the ACCTS was announced via a press release, joint statement, and social media by New Zealand, on behalf of other participants in its role as the Chair of negotiations.
- 59 Communication material is being prepared for release at signature which is when the text of the Agreement will be made available to the public. Communications will include greater detail on the outcomes of the ACCTS.

Proactive Release

- 60 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet with redactions where necessary.

Recommendations

The Minister for Trade recommends that the Committee:

- 1 **note** that negotiations on the *Agreement on Climate Change, Trade and Sustainability* (the ACCTS) were concluded within the Cabinet mandate [DEV-20-MIN-0084] as approved by the Cabinet Economic Development Committee in May 2020, and on a limited range of additional issues by Delegated Ministers in February and June 2024;
- 2 **note** that the commercial benefits of the ACCTS will increase as membership expands;
- 3 **note** that the ACCTS will result in NZ\$1.6 million in annual tariff revenue foregone for New Zealand;
- 4 **note** that the Minister of Finance has approved an out-of-cycle funding request to charge tariff revenue foregone from the ACCTS against the between-Budget contingency;
- 5 **approve** the following:
 - 5.1 the text of the ACCTS (attached as Annex 2), subject to any minor or technical changes arising from the final legal review of the Agreement; and
 - 5.2 the content of the National Interest Analysis (NIA, attached as Annex 1)

¹⁴ Officials note that differences of view over the phrasing of New Zealand's established Treaty of Waitangi exception and the merits of services liberalisation are long-standing trade policy disagreements with Ngā Toki Whakarururanga that extend beyond the ACCTS.

6 **note** the foregone tariff revenue required to ratify the *Agreement on Climate change, Trade and Sustainability*, with a corresponding impact on the operating balance and net core Crown debt:

Revenue Changes:

Vote Customs Minister of Customs	\$m – increase/(decrease)			
	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 & Outyears \$m
Operating balance impact*				
Tax Revenue:				
Tariffs	-	(1.600)	(1.600)	(1.600)
Total Revenue	-	(1.600)	(1.600)	(1.600)
Total Operating	-	1.600	1.600	1.600

*unless non-cash, will also impact net core Crown debt

7 **agree** that the foregone tariff revenue in recommendation 6 above be charged against the between-Budget contingency established as part of Budget 2024.

8 **note** that this initial cost is expected to be outweighed over the medium term by improved market access for New Zealand exports.

9 **authorise** the Minister for Trade to approve any changes to the text of the ACCTS which do not materially alter the content between now and public release at signature;

10 **authorise** officials to make minor or technical changes to the NIA which do not materially alter its content between now and public release at signature;

11 **authorise** signature of the ACCTS;

12 **agree** that the NIA and the text of the ACCTS be released after signature and published on the Ministry of Foreign Affairs and Trade website, consistent with regular and established practice;

13 **agree** following signature to present the ACCTS and the NIA to the House of Representatives for the purposes of the parliamentary treaty examination process, under Standing Order 405;

14 **agree** that the Working Tariff Document of New Zealand be amended to give effect to New Zealand’s obligations under the ACCTS as set out in paragraph 43 of this paper;

15 **invite** the Minister of Customs, with agreement from the Minister of Commerce and Consumer Affairs, to submit a Tariff Amendment Order to the Executive Council to amend the Working Tariff Document to implement the tariff commitments contained in the ACCTS and to prepare an Order in Council to give effect this decision;

16 **authorise** the New Zealand Customs Service to draft an Order in Council to give effect to the decision above; and

17 **agree** to ratify the ACCTS subject to the satisfactory completion of the parliamentary treaty examination process.

Authorised for lodgement.

Hon Todd McClay, Minister for Trade