

Subject: OIA 2024/37: Memorandum of Understandings to purchase offshore carbon credits
Date: Thursday, 26 September 2024 at 4:54:02 PM New Zealand Standard Time
From: Wendy McGuinness
To: [REDACTED]
CC: Arne Larsen

To whom it may concern,

OIA 2024/37: Memorandum of Understandings to purchase offshore carbon credits

Earlier this year the Institute published a discussion paper: [Risks hiding in plain sight: Does a commitment under the Paris Agreement to purchase offshore carbon credits create a requirement to report that commitment in the financial statements of the New Zealand Government?](#) Page 29 of the paper notes:

‘International emissions trading is wickedly complex, and despite efforts to establish a new trading mechanism under the Paris Agreement’s Article 6 paragraph 4, no well-established centralised trading system yet exists. However, Article 6 paragraph 2 (and the implementation guidance for this agreed at COP26) enables countries to proceed with bilateral or multilateral cooperation. This could take the form of crediting for reductions occurring in another jurisdiction (such as the bilateral cooperation programmes established by Switzerland and Japan), or linking emissions trading systems (linking the European Emissions Trading System (EU ETS) with Switzerland and Norway).’

As a follow on from this work, we are interested to learn more. Earlier this month, Minister Watts has informed us (via an EDS conference) that the Government is in negotiations with other countries, pursuing high-level discussion on agreeing Memorandum of Understandings with Singapore, Thailand and Philippines and possibly other countries. I have a recording on our website – see [here](#) (2.30 minutes). In my view this adds more weight to our recommendations to report the liability and/or contingent liability in the financial statements. The Minister places a lot of emphasis on the next 65 months and the need to urgently progress these discussions (which we clearly support).

Could you answer the following four questions:

1: Can you advise what types of bilateral or multilateral cooperation agreements are being considered and what form they might take? For example, crediting for reductions occurring in another jurisdiction, linking to existing international emissions trading carbon markets or creating a new international carbon market/s with specific countries? Are there other methods being considered, and if yes, what are these? We want to understand the carbon offset strategy that the New Zealand Government is exploring.

2. Can you advise if the Government is opening up dialogue on MOUs with any other

country (e.g. in addition to Singapore, Thailand and the Philippines)? If yes, please list the other countries that the New Zealand Government is in correspondence with. If you are unable to list which countries, can you advise how many countries in total the Government is in dialogue with (i.e. to progress a MOU to purchase offshore carbon credits)?

3: What progress in being made on these MOU's? How many have been signed? How many are close to being signed? If any are signed, can you please provide a copy of the signed agreement?

4: Has the Government considered opening up discussions with Bhutan? We briefly discuss this opportunity in our discussion paper (see page 93 in the link above). I was in Bhutan last year and explored this idea (clearly not as a Government official, but I did meet with Government officials in Bhutan). I felt a collaboration between the two countries would provide a number of positive benefits for both countries and may be more digestible to New Zealanders. I am happy to meet to discuss this idea in more detail and/or introduce you to some of my contacts there. See our blog on the trip [here](#).

Thank you for your assistance in this matter. Please do not hesitate to contact me if you have any questions or points of clarification.

Many thanks,

Wendy McGuinness

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