

Aotearoa New Zealand International Climate Finance Strategy

Tuia te Waka a Kiwa



TE PUNA MANAAKI
Fountain of support

RARANGA TE MUKA
Weaving the strands

TĀTOU TĀTOU
All of us together

TE PAE TAWHITI
A shared horizon

Contents

Ngā Ihirangi

| | |
|---|----|
| Ministerial foreword | 4 |
| Strategy at a glance | 6 |
| 1. Context and purpose | 11 |
| 2. Vision | 14 |
| 3. Value propositions | 17 |
| 4. Goals and outcomes | 18 |
| 5. Our approach and preferences | 20 |
| 6. Monitoring and review | 29 |
| Appendix A: Key findings from recent IPCC reports | 30 |
| Endnotes | 33 |



HON. NANAIA MAHUTA
Minister of Foreign Affairs



HON. JAMES SHAW
Minister for Climate Change

Ministerial foreword

**Tuia ki runga, tuia ki raro
Tuia ki roto, tuia ki waho
Tuia te here tangata
Tūturu o whiti
Whakamaua kia tina
Tina! Haumi e, hui e
Taiki e!**

*Stitch the celestial energies,
to the terrestrial energies
Within, and without
Bind the kinship strands of humanity
Permanent, consistent are the fibres of light
Draw these matters to a single point
and give them substance
The wisdom is bound, it collects
It is held!*

Climate change is a grave and mounting threat to our wellbeing and a healthy planet. Increased heatwaves, storms, droughts and floods expose millions of the world's most vulnerable to acute food and water insecurity, while ocean changes also threaten those who live close to the sea.

As a recent Intergovernmental Panel on Climate Change report stated, it is the communities with least resources who are the hardest hit. Among the most vulnerable are the nations of the Pacific – our closest friends, neighbours and family.

The science is unambiguously clear: ambitious, accelerated action is needed. We need to adapt to the effects of climate change and make rapid, deep cuts in our greenhouse gas emissions.

Aotearoa New Zealand recognises this need for urgent global action, and that developing countries need climate finance to reduce emissions and adapt to impacts. We recognise too that climate change is already causing irreversible loss and damage, and this is disproportionately experienced in lower-income communities and countries, including the Pacific.

This is why in late 2021 the Aotearoa New Zealand Government expanded our climate finance commitment significantly to \$1.3 billion for 2022-2025, at the same time as announcing our increased commitment to reducing greenhouse gas emissions, as a Party to the Paris Agreement.

We need to work in the world, as well as at home, to reduce risks, capture opportunities and build intergenerational climate resilience.

This strategy sets out how our expanded climate finance will be put to work, along with the values and principles that will guide decisions about the allocation of funding. It makes clear our goals, and our preferences and priorities – including how our climate finance approach ties into our other international commitments, such as the United Nations Sustainable Development Goals.

We are first and foremost a Pacific nation, and we seek to support our neighbours in ways that help those countries and communities to build resilience on their own terms. And we seek to have global impact, making the most of what we have to offer by partnering with other donors.

We are committed to regional coordination to increase the impact of all our efforts, including the urgent work in adaptation in the Pacific. We recognise the importance of collaboration in areas like research, science and innovation, to make sure we work in ways that build long-term resilience. We need to draw on indigenous models and traditional knowledge to create integrated climate change responses that local communities can own.

Aotearoa New Zealand brings a readiness to take risks, break new ground, and forge wide-reaching partnerships that can make a real difference to the people and communities most acutely affected by climate change.

Already this strategy has pooled the strengths of diverse participants. We extend our sincere thanks for contributions from non-government organisations, the science community, government agencies, and from the Pacific peoples and indigenous Māori communities in Aotearoa

New Zealand. The insights from donors, international agencies and government partners in the Pacific and around the world have also been very helpful in shaping our thinking.

We are standing shoulder to shoulder to face the challenge.

Tātou tātou, we are in this all of us together.

**Mai te tini o ngā whakaaro Rangatira
Whakaairohia a o Matua Tūpuna
Turou Hawaiki!!**

*By the chiefly thoughts
Etched by the ancestors
Navigating the future.*

HON. NANAIA MAHUTA
Minister of Foreign Affairs

HON. JAMES SHAW
Minister for Climate Change

Strategy at a glance

Climate change threatens global well-being and security; climate finance can help reduce risks, capture opportunities and build resilience

Urgent, concerted action is required to significantly reduce greenhouse gas emissions and support vulnerable communities to adapt to the impacts of the changing climate. The provision of climate finance to developing countries is part of the solution.

This Strategy provides a high-level framework to guide the investment of Aotearoa New Zealand's \$1.3 billion international climate finance envelope for 2022-2025.

OUR VISION IS:

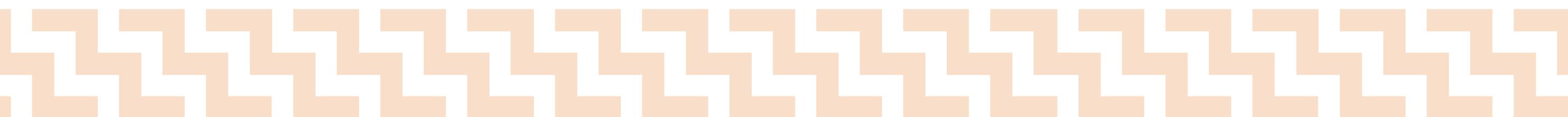
Developing countries and communities build resilience in a world on a pathway to staying within 1.5°

Our value propositions of **kaitiakitanga (guardianship), security and resilience, influence** and **prosperity** will underpin our thinking on international climate finance.

Our goals and outcomes express the impact that we expect to have contributed to through our investments and engagement.

Table 1:
Goals and outcomes

| | | OUTCOMES | | |
|-------|--|---|---|---|
| | | 1 | 2 | 3 |
| GOALS | 1. Accelerated climate change mitigation | Developing countries accelerate action on their mitigation priorities, including those in their Nationally Determined Contributions, in a cost-effective way. | Developing countries increasingly adopt emissions-reducing technologies and practices in agriculture and land-use, forestry, tourism, energy and land and maritime transport. | Developing countries reduce their reliance on, and subsidies for, domestic or imported fossil fuels. |
| | 2. Enhanced resilience and adaptation to the impacts of climate change | Developing countries improve the quality, and/or accelerate the implementation, of their National Adaptation Plans or similar plans. | Communities are increasingly climate resilient; and are better able to support their own health and well-being in situ. | Communities are better able to maintain economic, social, and cultural values in the face of growing climate and disaster risks, loss and damage. |
| | 3. Improved institutional capability and evidence-based decision making | Effective regional institutions and a strong multilateral rules-based order support more ambitious and innovative action on climate change. | Climate resilient decision-making is improved through greater access to, and use of: education, science, indigenous knowledge and techniques, data and information. | Growth in the number and capability of current and future climate change researchers, policy-makers and legislators. |
| | 4. Leveraged investment to achieve greater climate impact | NZ's climate finance crowds in increased private climate finance and taps into private sector technologies and expertise. | NZ's climate finance leverages greater investment by like-minded bilateral donors and multilateral organisations. | Developing countries are enabled to set up, implement and report on carbon markets or similar mechanisms ¹ where this supports them to accelerate mitigation, adaptation and development outcomes. |



PRINCIPLES OF ENGAGEMENT

TE PUNA MANAAKI

Fountain of support

Our engagement on climate finance will be driven by the values of whakahoahoa (partnership), including honesty, trust & respect. We will listen & consult, and act in partnership with predictability & consistency.

RARANGA TE MUKA

Weaving the strands

Our support helps to address climate change, a challenge too big for any country to address alone, and secures a platform on which to advocate for the things we value. Through this approach we achieve pānga ngātahi (collective impact).

TĀTOU TĀTOU

All of us together

We will work with like-minded partners to upscale our climate finance ambition & magnify our impact, especially in the Indo-Pacific region. These partnerships will mitigate our lack of global scale & deliver value for money on mitigation & adaptation.

TE PAE TAWHITI

A shared horizon

Our engagement will bring a long-term pakari (resilience) perspective, recognising the enduring challenge of climate change and the need to work at the pace of our partners. We will not prioritise short-term easy wins over higher impact, potentially riskier, investments.

How we engage on climate finance is as important as what we engage on

Aotearoa New Zealand's success on international climate finance will, in part, be reflected in how well our partners feel we have met their expectations. We will be a constructive and collaborative partner, tailoring our approach depending on the region in which we are delivering climate finance.

Our approach to climate finance incorporates the ways in which we want to work to achieve our international climate finance goals: our principles of engagement.ⁱⁱ

These engagement principles will be woven into the design of mitigation, adaptation and capability building initiatives to ensure they consistently reflect Aotearoa's values-based approach to development, climate change policy, trade policy and foreign policy. The Strategy acknowledges how te ao Māori values help shape our approach to working with and for the Pacific.

Our preferences for designing and delivering international climate finance

This Strategy is intentionally high-level. It is designed to be flexible as the external environment changes and new technologies emerge in the future. However, it is important to outline our preferences for designing and delivering international climate finance initiatives to feed into discussions with potential recipients.

- **High climate impact:** Limiting global warming to 1.5° requires "rapid, deep and in most cases immediate" emissions reductions.ⁱⁱⁱ Our climate finance investments will actively encourage such decarbonisation, especially outside of the Pacific, as well as focusing on adaptation where significant mitigation is less viable.

We will be deliberate in our use of our climate finance envelope, with all new activities designed to be tagged 'principal climate'. All disbursements will be consistent with our Paris Agreement commitments, including the need for transparency and accuracy in reporting. Our investments will also capitalise on opportunities to provide wider environmental, social, economic and strategic co-benefits.

- **Pacific focus, global impact:** at least 50 percent of our climate finance will go to the Pacific, and we acknowledge our special constitutional relationships with the Cook Islands, Tokelau and Niue. We strive to be a partner of preference for the Pacific on climate issues. Other priority regions include South- and South-East Asia, Latin America and the Caribbean, and Africa, which collectively offer greater mitigation opportunities than the Pacific.
 - **Promoting adaptation:** at least 50 percent of our funding will go towards initiatives building resilience to the impacts of climate change, including those prioritised in countries' National Adaptation Plans and National Infrastructure Investment Plans. We will scale-up our Disaster Risk Reduction efforts.
 - **Loss and damage:** Pacific Island countries are some of the most exposed in the world to the impacts of climate change. There are indications that adaptation limits have been exceeded already in some locations. Economic and non-economic costs are becoming increasingly apparent. Countries that experience loss and damage on a daily basis may wish to differentiate their responses to that from adaptation. Aotearoa New Zealand will respect that choice.
 - **Acting at scale:** We will prioritise acting urgently, at scale with high climate impact, especially for new initiatives. Scaling up existing activities will also be important. However, we recognise the value of locally-led, community-level initiatives, which can take time to both develop and deliver benefits.
 - **Collaboration is critical:** to deliver effectively and efficiently at scale, we will partner with like-minded bilateral and multilateral donors, regional and multilateral institutions, Crown Research Institutes, universities, Non-Governmental Organisations and civil society; and seek to leverage private finance, commercial expertise and community support.
 - **Being partner-led:** Each recipient of climate finance will have their own mitigation and adaptation objectives, reflecting country-specific or regional circumstances. We will investigate innovative, high-trust mechanisms for supporting governments and communities to achieve these objectives. We will seek to balance high-trust mechanisms with the need for accountability and transparency. We will ensure we are supporting enduring, sustainable development.
 - **Equity and inclusion:** We will strengthen our climate finance influence and impact by working inclusively to ensure equity of benefits and transformative change. We will advance the human rights of Indigenous Peoples, persons with disabilities, women, children and youth, people with diverse sexual orientations and gender identities, and other marginalised groups, through integration into our design work and building trusted relationships.
 - **Encouraging innovation, accepting risks:** We will be comfortable taking managed risks with our climate finance investments. We recognise that in encouraging innovative solutions we must be prepared for some initiatives to not succeed as well as we hope, and we will learn from these experiences. Longer term, potentially transformative projects will be balanced with initiatives that offer more immediate benefits.
 - **Supporting biodiversity, oceans and nature:** We will prioritise investments that seek positive climate change, biodiversity and environmental outcomes, acknowledging the interconnection between environmental degradation, biodiversity loss and climate change impacts and the co-benefits to be found in using nature-based solutions.
- Our initiatives will include adequate environmental and socio-economic safeguards, including for Indigenous Peoples' rights and interests. We recognise the importance of healthy oceans and fisheries habitats in providing climate resilience, and the need for greater research into the ocean-climate nexus.

Implementation, transparency and review

Given the upscaling of our climate finance commitment and the importance to which we attach successfully implementing this Strategy, we are significantly boosting our climate finance capacity.

This Strategy will be reviewed regularly to ensure it remains focused on delivering the initiatives our development partners need to address climate change. We will be transparent with our investments, publishing as much as possible online.

Looking past the current commitment, we will seek to build a sustainable climate finance funding foundation, with predictable funding and leveraged private sector contributions.



1. | Context and purpose

Climate change is harming global well-being...

Climate change is a profoundly destabilising issue that poses unprecedented risks to global well-being, prosperity and security.

The IPCC (2022a, p.11)^v assesses that “3.3 to 3.6 billion people live in contexts that are highly vulnerable to climate change”, and that climate change, including more frequent and intense extreme weather events and negative impacts on oceans and fisheries, is already acting as a force multiplier to exacerbate existing economic and social inequalities.

...and is an existential threat to Pacific nations

Pacific leaders view climate change as the single most important challenge facing the region, as espoused in the Pacific Island Forum’s 2018 Boe Declaration on Regional Security.^v

Being in and of the Pacific, we know first-hand that countries in the region are some of the most vulnerable in the world to climate change. They are already experiencing its effects.

The IPCC (2022a, pp.11-12) notes that Small Island Developing States (SIDS), such as those in the Pacific, are one of the “global hotspots of high human vulnerability” and thus “disproportionately affected” by climate and weather extremes.

Pacific countries are particularly vulnerable because of their densely populated low-lying coasts, natural resource- and tourism-dependant economies, and high exposure to weather-related hazards and ocean changes. The IPCC notes that sea-level rises pose “an existential threat” to some SIDS. In the Pacific, Tokelau, the Marshall Islands, Kiribati and Tuvalu are often acknowledged as being particularly at risk from rising seas.

Aotearoa New Zealand recognises the significant environmental and climate change challenges facing Pacific nations, especially on adaptation, and will stand with them on the global stage to promote their interests.

Aotearoa New Zealand is stepping up its climate finance commitment

In signing the Paris Agreement, Aotearoa New Zealand has agreed to progressively scale up climate finance for developing countries, and ensure finance flows are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.^{vi}

Our commitment to provide NZ\$1.3 billion of climate finance to developing countries between 2022 and 2025 is a significant step up in our climate change and development policy efforts.^{viii}

The funding envelope provides an exciting opportunity to deliver a blend of large-scale and localised high climate impact initiatives that contribute to developing countries’ efforts to meet their Paris Agreement obligations.

This opportunity will best be realised through deliberate mitigation and adaptation investment choices designed to deliver, over time, the maximum climate and well-being impacts per dollar invested.

In addition, we will support capability and capacity building. We recognise existing constraints in research institutions and public services, especially in smaller nations, present a challenge to the effective delivery of climate finance initiatives.

This Strategy builds on Aotearoa New Zealand’s existing climate finance activities, which totalled around NZ\$500 million between 2019 and 2022 and were shaped by the Pacific and Development Climate Change Action Plan 2019-2022.^{ix}

MANY HANDS:

Running out of fresh water is a growing risk for many Pacific island nations, as climate change advances. The IPCC Sixth Assessment Report in 2022 found that freshwater systems in Pacific nations are among the most threatened on the planet. In Kiribati, the government is building water facilities to protect against rainfall changes like the severe drought in 2022. Pictured: Public Utility Board workers, and defence personnel and foreign affairs ministry staff from Australia and New Zealand, team up with airport staff at Tarawa to unload urgently needed materials for new water pipelines. Aotearoa New Zealand’s climate finance also backs regional efforts through the Pacific Community (SPC) and others, to build action and cooperation on water security and improve integration of climate and weather data into country planning systems.

This Strategy outlines what we are trying to achieve with our climate finance, and how we will achieve it...

This Strategy provides a high-level, flexible framework to inform our climate finance investments for the 2022-2025 commitment period and beyond, acknowledging the Glasgow Climate Pact's push for developed countries to "urgently and significantly scale up their provision of climate finance".^x

It also seeks to provide a common understanding of Aotearoa New Zealand's climate finance^{xi} preferences to support discussions with a wide range of partners. These partners include developing country governments, like-minded bilateral and multilateral donors, non-governmental organisations (NGOs) and civil society, regional/multilateral climate change institutions and the private sector.

This Strategy is informed by, and seeks to respond to, the latest IPCC evidence. Several key IPCC findings, and their implications for our provision of climate finance are captured in Table 3 in Appendix A. This evidence has helped shape our goals, outcomes and preferences.

While Aotearoa New Zealand's post-2025 climate finance commitment cannot yet be determined, this strategy is intended to be enduring, guiding delivery of climate finance beyond 2025.

...as part of our broader efforts to champion faster and more far-reaching global action on climate change

Aotearoa New Zealand's Strategic Climate Change narrative states that a paradigm shift in global action on climate change in the next decade is essential to avert catastrophic outcomes. We seek ambitious global action to reduce emissions, encourage adaptation and protect and preserve biodiversity by:

- Positioning Aotearoa New Zealand as a global leader through leadership by example.
- Using our government-to-government relationships to influence other countries' climate-related policy decisions.
- Negotiating, influencing and upholding the evolving international rules-based system and the multilateral system.^{xiii}
- Aligning our free trade agreements and global trade rules to influence climate action.

This Strategy seeks to contribute to these wider objectives, and is consistent with Aotearoa New Zealand's established approach to international engagement on climate change

This approach prioritises increasing climate finance support for developing countries that need it, especially for adaptation; and shifting capital flows to more sustainable practices. It also notes Aotearoa New Zealand's future prosperity, security and well-being – and that of the Pacific – depends on enhanced regional and global climate action.

It complements Aotearoa New Zealand's domestic emissions reduction efforts and other Paris Agreement commitments

This Strategy will be implemented alongside Aotearoa New Zealand's Emissions Reduction Plan (ERP) and National Adaptation Plan. The ERP focuses on actions we will take to meet our domestic emissions budgets and sets the pathway to meeting:

- Our Paris Agreement Nationally Determined Contribution of a 50 percent reduction of net emissions below our gross 2005 level by 2030.^{xiv}
- Our domestic emissions target of net zero emissions of all greenhouse gases other than biogenic methane, which is to be reduced by 24 to 47 percent below 2017 levels by 2050.

We will draw on our experience with our ERP and NAP to encourage others to take more ambitious action. The Paris Agreement outlines the need for both adaptation and mitigation to be supported by climate finance. It also strongly encourages cooperative approaches to providing adaptation financing, especially for developing countries who are most vulnerable to the adverse effects of climate change.

This Strategy is consistent with our Paris Agreement commitments. It provides a high-level framework to guide our climate finance investments in supporting developing countries' implementation of the Paris Agreement, has a strong focus on capability and capacity building, and aims to ensure at least 50 percent of our climate finance goes towards adaptation.

This Strategy takes into account our international obligations and other sustainability initiatives...

Aotearoa New Zealand is committed to the United Nations Sustainable Development Goals (SDGs). Effective action on climate change, including through climate finance initiatives, will contribute to all SDGs, but in terms of focus this Strategy strongly contributes to Goal 2 (Zero Hunger), Goal 6 (Clean Water and Sanitation), Goal 7 (Affordable and Clean Energy), Goal 11 (Sustainable Cities and Communities), Goal 13 (Climate Action), Goal 14 (Life Below Water) and Goal 15 (Life on Land).

Aotearoa New Zealand is a Party to the Convention on Biological Diversity, a 1992 global treaty on the conservation and sustainable use of biological diversity. We are also an active participant in the 'Post-2020 Global Biodiversity Framework', currently under negotiation, and in other international biodiversity agreements. This Strategy places a high priority on nature-based solutions and the protection of biodiversity, acknowledging the world is facing "dual crises of biodiversity loss and climate change".^{xv}

Healthy, functioning, intact ecosystems (including coral reefs) provide the first line of defence to sea level rise, disaster resilience, storm surges, and ocean acidification. They also provide food security and livelihoods in the Pacific. We will place a high priority on habitat restoration, ecosystem resilience building and managing invasive species.

We also seek to demonstrate our commitment to environmental and climate change objectives through our trade policy initiatives. This is encapsulated in the Trade for All agenda, which notes "it is not possible to think about trade policy without seeing it through a climate change lens" (TFAAB, 2019, p.46).^{xvi, xvii}

Two important initiatives that support climate improvements through trade policy are the Agreement on Climate Change, Sustainability and Trade (ACCTS)^{xviii} and the APEC Aotearoa Plan of Action^{xix} and associated APEC commitments including through the Committee for Trade and Investment. Key features of both initiatives are Fossil Fuel Subsidy Reform (FFSR) and facilitating trade in environmental goods and services. Financial support to developing countries as they transition out of fossil fuels through the reduction and elimination of related subsidies will be an effective contribution to global climate change mitigation.

Cooperation on climate finance and trade issues will also feature in the Indo-Pacific Economic Framework for Prosperity (IPEF), to which Aotearoa New Zealand has

committed. One of IPEF's four negotiating pillars is 'Clean energy, decarbonisation and infrastructure'. This will include accelerating "the development and deployment of clean energy technologies to decarbonize our economies and build resilience to climate impacts. This involves deepening cooperation on technologies, on mobilizing finance, including concessional finance..."^{xx}

Aotearoa New Zealand also strongly promotes sustainable development and trade initiatives at multilateral fora such as the World Trade Organisation (WTO), OECD and Food and Agriculture Organisation of the United Nations (FAO), including encouraging reduced reliance on environmentally harmful subsidies.

The Pacific Agreement on Closer Economic Relations (PACER) Plus also recognises the importance of sustainable development. Its Preamble notes "the links between economic development, social development and environmental protection and the important role of development and economic cooperation in promoting sustainable development".

This Strategy is cognisant of our trade obligations and objectives. It recognises that trade and climate policies should be mutually reinforcing and that there are overlaps between climate, trade and development activities.

...and is consistent with our broader development objectives

The climate finance funding will initially be delivered through our International Development Cooperation programme.

Aotearoa New Zealand's Cabinet-mandated [Policy Statement on International Cooperation for Effective Sustainable Development](#) guides our development activities.^{xxi} The overall purpose for New Zealand's International Development Cooperation (IDC) funding is to contribute to a more peaceful world, in which all people live in dignity and safety, all countries can prosper, and our shared environment is protected.

This Strategy is consistent with the Policy Statement's purpose, notably the emphasis on dignity and safety, prosperity and protecting the environment.^{xxii} It also contributes to Aotearoa New Zealand's broader foreign policy goals, especially those related to the Pacific, Indo-Pacific, Environment and Climate Change, and International Relationships.^{xxiii}

2. | Vision

Developing countries and communities build resilience in a world on a pathway to staying within 1.5°

This vision reflects several key features of Aotearoa New Zealand's climate finance commitment and broader approach to climate change policy, development policy and foreign policy:

- Our development activities in the Pacific are guided by our **'Reset to resilience'** principles. We want to be a partner of preference for the Pacific on climate issues. At least 50 percent of our total climate finance commitment will go to the Pacific; and at least 50 percent will go towards adaptation and resilience initiatives.^{xxiv} We will support our partners' efforts to address loss and damage caused by the impacts of climate change.
- We recognise and respect that **each of our development partners is on their own journey** towards addressing the challenges of climate change. Each is experiencing different impacts. Each has different histories, cultures, starting points, approaches and capacity to adjust over time.
- We have a demonstrated ability and clear incentives to work with like-minded partners to amplify our influence and impact. While we demonstrate high levels of **ambition** with our climate finance investments, and have a preference for acting at scale, we will also actively strengthen our support of locally-led and **community**-designed initiatives.
- We do not seek any financial returns on our climate finance investments.^{xxv} Our climate finance funding is provided in the first instance as grants. We want to **promote economic resilience and thriving communities** and support developing economies to direct their fiscal resources towards climate change. We are conscious of the need to avoid adding to post-COVID elevated developing country debt levels.
- The Paris Agreement commits Aotearoa New Zealand to pursue efforts to **limit global temperature increases to 1.5°C** above pre-industrial levels. The Kainaki II Declaration from Pacific Island Forum Leaders^{xxvi} calls for similar actions and ambition. There are close links between our Paris Agreement climate finance commitments and our international development objectives, especially in the Pacific, wider Indo-Pacific, South- and South East Asia, Latin America and the Caribbean, and Africa.



LONG VIEW:

The nine-island nation of Tuvalu (pictured), is home to a population of more than 10,000, on less than 30 km² of land, none of it more than 5m above sea-level. It shows in sharp relief the Pacific region's vulnerability to natural hazards and climate change-related risk. Aotearoa New Zealand has supported the Tuvalu government to build long-term resilience, strengthening energy and water security for instance, in partnership with regional and global organisations. Looking ahead, we are investing in initiatives to improve Pacific governments' access to data and locally tailored climate risk modelling tools to support their economic and land-use planning, and disaster preparation and response. Photographer: Darren James.



NATURAL DEFENCES:

Workers at a bio-engineering demonstration site in Thai Nguyen Province in Viet Nam plant road edges to protect against the more frequent high rainfall events that climate change brings. The project is funded by the Global Environment Facility, the world's largest multilateral fund focused on enabling developing countries to invest in nature. Aotearoa New Zealand has recently increased its contribution to the GEF, which can mobilise funding to provide support and expertise at a scale we cannot achieve alone. Linking up with these large facilities allows our funds to reach further, while still focusing tightly on our priority areas such as combined action on biodiversity loss and climate. Photo: GEF/Flickr

3. Value propositions

Aotearoa New Zealand’s climate finance value propositions summarise how we will contribute to improved Pacific and global well-being through our use of climate finance.

These value propositions draw on Aotearoa New Zealand’s existing foreign policy framework.^{xxvii}

Table 2: International Climate Finance Strategy value propositions

| Climate finance value proposition | Why it matters | How it will deliver well-being improvements for developing countries |
|---|--|--|
| Kaitiakitanga ^{xxviii} (guardianship) | The living standards of developing countries depend on the international community working together to safeguard shared global resources such as the climate. | By practising kaitiakitanga, working closely with trusted partners, we will promote sustainable solutions to global and regional climate challenges, recognising countries’ sovereignty, mana and agency. |
| Security and resilience | The direct impacts of climate change threaten the overall security of countries, ^{xxix} and present ever-growing risks to habitability, resilience and economic viability (e.g. food and water insecurity, invasive species, conflicts, climate-induced displacement, injury and death from rapid-onset disasters). ^{xxx} | We will deliver initiatives to support families, communities, localities and populations adjust to the impacts of climate change, including protecting their food sources and natural environments and restarting and rebuilding when this becomes necessary. We will help them adapt and retain their cultural ‘sense of place’, ensuring their values are not compromised. |
| Influence | Aotearoa New Zealand has a reputation for being an interested, interesting, creative, constructive, principled and fair participant in climate change negotiations and regional climate change dialogues. Our ability to achieve shared goals and influence others on the behalf of developing countries, depends on this reputation. | We will seek to amplify the Pacific’s voice internationally and seek to influence how other donors’ climate finance is invested. In addition, the influence of development partners in international climate change discussions will be strengthened if they achieve their Nationally Determined Contributions (NDCs) and become more climate resilient through implementing their National Adaption Plans (NAPs). Our climate finance can support and fast-track their priorities. |
| Prosperity | Climate change threatens the living standards and identity of developing countries, especially Least Developed Countries and Small Island Developing States, exacerbating existing social, economic and environmental challenges. | Our climate finance investments will improve broader well-being, ^{xxxi} safeguard incomes, protect human rights and jobs, and promote capital growth to boost productivity. This will support the recovery from the COVID-19 pandemic and seek to start addressing pre-existing poverty, inequalities and social problems. |

4. Goals and outcomes

Aotearoa New Zealand’s climate finance goals and outcomes express the impact that we expect to have contributed to through our investments and engagement. Each goal relates to several of the UN Sustainable Development Goals, recognising the cross-cutting and interlinked nature of many of them.^{xxxii}

The goals are intentionally high-level, reflecting the importance of this Strategy being adaptive, facilitative and flexible. Beneath each goal sit key outcomes which seek to provide a greater degree of specificity and form the basis for monitoring, evaluation, research and learning frameworks.

ACCELERATED CLIMATE CHANGE MITIGATION



OUTCOMES

- Developing countries accelerate action on their mitigation priorities, including those in their Nationally Determined Contributions, in a cost-effective way.
- Developing countries increasingly adopt emissions-reducing technologies and practices in agriculture, land-use, forestry, tourism, energy and land and maritime transport.
- Developing countries reduce their reliance on, and subsidies for, domestic or imported fossil fuels.

IMPROVED INSTITUTIONAL CAPABILITY AND EVIDENCE-BASED DECISION MAKING



OUTCOMES

- Effective regional institutions and a strong multilateral rules-based order support more ambitious and innovative action on climate change.
- Climate resilient decision-making is improved through greater access to, and use of: education, science, indigenous knowledge and techniques, data and information.
- Growth in the number and capability of current and future climate change researchers, policy-makers and legislators.

ENHANCED RESILIENCE AND ADAPTATION TO THE IMPACTS OF CLIMATE CHANGE



OUTCOMES

- Developing countries improve the quality, and/or accelerate the implementation, of their National Adaptation Plans or similar plans.
- Communities are increasingly climate resilient; and are better able to support their own health and well-being in situ.
- Communities are better able to maintain economic, social, and cultural values in the face of growing climate and disaster risks, loss and damage.

LEVERAGED INVESTMENT TO ACHIEVE GREATER CLIMATE IMPACT



OUTCOMES

- Our climate finance crowds in increased private climate finance and taps into private sector technologies and expertise.
- Our climate finance leverages greater investment by like-minded bilateral donors and multilateral organisations.
- Developing countries are enabled to set up, implement and report on carbon markets or similar mechanisms where this supports them to accelerate mitigation, adaptation and development outcomes.

5. | Our approach and preferences

5.1. APPROACH

Aotearoa New Zealand's approach to climate finance incorporates the ways in which we want to work to achieve our climate finance goals: our principles of engagement.

These engagement principles should be woven into the design of mitigation, adaptation and capability building initiatives to ensure they consistently reflect Aotearoa's values-based approach to development, climate change policy, trade policy and foreign policy. They acknowledge that climate policy and development policy do not operate in a vacuum – they are two interlinked and mutually reinforcing strands of our broader foreign policy objectives.

Aotearoa New Zealand has recently adopted a refreshed set of principles for engaging in the Pacific and beyond. These principles reflect that how we engage is as important as what we engage on, and that our success will be reflected in how well our partners feel we have met their expectations.

These engagement principles are shown initially in Te Reo Māori, the language of Aotearoa New Zealand's indigenous people, and have been adapted to our climate finance work.^{xxxiii} The Strategy acknowledges how te ao Māori values help shape our approach to working with and for the Pacific in particular.

Engagement principle 1: Te Puna Manaaki (fountain of support)

Our engagement on climate finance will be underpinned by the values of whakahoahoa (partnership), including honesty, trust and respect. We will listen and consult, and act in partnership with predictability and consistency.

We will confidently share Aotearoa New Zealand's views and perspectives, and the strength of our partnerships empower us to communicate openly even where our views may differ.

This approach will support Aotearoa New Zealand's efforts to be viewed as a strategic partner of preference to address climate change challenges.

Engagement principle 2: Raranga te Muka (weaving the strands)

Aotearoa New Zealand's climate finance investments will contribute towards global and regional security and prosperity, especially in the Pacific, and reflect our broader interests.

Our support helps to address climate change, a challenge that is too big for any country to address on its own, while securing a platform on which to advocate for the things we value, including the Pacific. Through this approach we achieve pānga ngātahi (collective impact).

This approach will underpin our objective of partnering with others for maximum climate impact.

Engagement principle 3: Tātou Tātou (all of us together)

We will focus on coordinating with like-minded partners to upscale our climate finance ambition and magnify our impact, especially in the Indo-Pacific region. These relationships will mitigate our lack of global scale and deliver value for money mitigation and adaptation initiatives.

We will demonstrate climate policy leadership to the benefit of developing countries, including advocating for a green recovery from the economic downturn due to COVID-19 and encouraging the use of carbon pricing.

We also recognise the benefits of two-way processes of learning, sharing information and experiences. For example, Aotearoa New Zealand's NAP process has drawn on good practice examples of adaptation planning globally, including strong examples from the Pacific.

Through this approach of coordination and two-way learning, we seek to achieve painga takirua (mutual benefit). We will also value private sector expertise and actively seek to crowd-in private sector climate finance.

This approach reinforces our aim of promoting a partner-led, community-enabled model of responding to the challenges of climate change.



ALL EARS: Early Action Rainfall (EAR) Watch training group, Cook Islands, March 2022.

Engagement principle 4: Te Pae Tawhiti (a shared horizon)

Our climate finance engagement will bring a long-term pakari (resilience) perspective, recognising the enduring challenge of climate change. We recognise that we need to move at a pace appropriate to our partners. We will seek a balance between short-term wins and higher impact, potentially riskier, investments.

We will seek lasting impact through a focus on human capability development, economic and climate resilience, and kaitiakitanga (guardianship or stewardship).

Looking past the current commitment, we will seek to build a sustainable climate finance funding foundation, with predictable funding and leveraged private sector contributions. Recognising the interest of many domestic agencies in climate change and the benefits of a coordinated approach, we will lift our engagement to ensure we draw on cross-government expertise and networks, and avoid operating in silos. We will also continue to work closely with Māori and Pasifika groups, NGOs and CRLs.

This approach will support our effort to consolidate our strategic commitment to strengthening resilience in the Pacific and beyond.



5.2. PREFERENCES

This Strategy is intentionally high-level in terms of its vision, value propositions, goals and outcomes. It is designed to be flexible as the external environment changes and new technologies emerge in the future.

However, it is important – for decision-making support purposes – to outline Aotearoa New Zealand’s preferences for designing and delivering climate finance initiatives. That is, when we are considering potential climate finance investments, what sorts of factors will we take into account?

High climate impact

By high impact, we mean our investments will deliver significant climate action and outcomes.

The latest IPCC evidence is clear that in addition to significantly ramping up adaptation financing, limited global warming to 1.5° or even 2° will require “rapid and deep and in most cases immediate GHG emission reductions in all sectors”.^{xxxiv}

The IPCC’s priority areas for decarbonisation include transitioning away from fossil fuel use, promoting low-emission energy sources and carbon capture and storage, retrofitting and constructing more energy-efficient buildings, encouraging technological change in the industrial sector, and making sustainable agricultural and land use choices. Our investments will support these deep decarbonisation objectives.

In the Pacific, NDCs have a very strong focus on renewable energy and reducing fossil fuel use in transport. Other forms of mitigation commonly found in these NDCs could also support adaptation objectives, such as reforestation and mangrove planting.

We will be deliberate in our use of climate finance funding. All disbursements will be consistent with our Paris Agreement commitments, including the need for **transparency and accuracy in reporting**. Investments will also be designed to be consistent with our international trade obligations and policy settings.

Of the NZ\$1.3 billion commitment for 2022-2025, NZ\$800 million is ‘new’ funding and **all of this must be tagged ‘principal’ climate**, as per the OECD DAC guidelines.^{xxxv} This means climate must be the primary objective of initiatives, with other benefits secondary. The remaining NZ\$500 million will come from baseline IDC funding that meets the OECD’s ‘principal’ or ‘significant’ criteria.

That said, we recognise that principal climate projects often offer material social, environmental, economic and strategic co-benefits. Supporting the international rules-based system is a further co-benefit, recognising the importance of collective and coordinated action. We will seek to **maximise these co-benefits** where appropriate, and **invest for the long term**, plus develop a well-designed pipeline of future initiatives.

Pacific-focus, global impact

We will invest at least 50 percent of our climate finance in the Pacific. This recognises the specific challenges facing the Pacific, including the need to rebuild and enhance resilience after the COVID-19 pandemic, our deep and long-standing whakapapa connections and the particular vulnerability of Pacific SIDS to climate change.

We will also continue to promote the Pacific’s interests in multilateral fora such as the WTO (for example, on harmful fishing subsidies and food security), and support the development of regional climate change solutions through existing region-wide architecture, such as the Pacific Islands Forum, the members of the Council of Regional Organisations in the Pacific (CROP) and regional research bodies.

We will continue to support Pacific nations to integrate climate change and disaster risk management into their sustainable development planning, in line with the ‘Framework for Resilient Development in the Pacific’.^{xxxvi}

We acknowledge our special constitutional relationships with and responsibilities for the Cook Islands, Tokelau and Niue.

However, climate change is a global challenge and our investment profile will reflect this. We recognise there may be limited opportunities for large-scale mitigation outcomes in some Pacific nations, given their relatively small emissions profiles. To support the global endeavour to drive deep and rapid decarbonisation, we will prioritise options for large scale mitigation investments outside of the Pacific.

Beyond the Pacific, key regional priorities for our climate finance are developing countries in:

- **South and South-East Asia**, including both opportunities for adaptation in least developed countries and significant mitigation opportunities in larger and fast-growing economies, such as transitioning towards more renewable energy systems, lower-intensity agriculture, forestry and nature-based solutions. Partnering with like-minded led investments and multilateral initiatives to encourage the acceleration of decarbonisation in this region is likely to deliver a high climate impact in an administratively efficient fashion.
- **Africa**, which the IPCC notes is highly vulnerable to the impacts of climate change. Regional opportunities exist in terms of mitigation as major emitters transition to lower-emissions futures, and adaptation for African Least Developed Countries, including through improved agricultural practices. Aotearoa New Zealand’s technical expertise in this area is likely to be highly valued.
- **Latin America and the Caribbean**, including bringing to bear our technical expertise in reducing agricultural emissions and enhancing food security, and other initiatives where Aotearoa New Zealand demonstrates leadership, such as in renewable energy.

The mode of delivery for projects in these regions and countries will depend on the nature of the opportunity. They could be bilateral initiatives or broader regional climate initiatives, though we will retain a preference for working in partnership with other donors. Extending the reach and influence of the [Global Research Alliance on Agricultural Greenhouse Gases](#) will be an important way of promoting more sustainable agricultural production techniques.

Promoting adaptation

Article 9.4 of the Paris Agreement states that “the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation”, with a greater share of adaptation funding going to most vulnerable countries. Yet, current estimates are that only around 20-25 percent of climate finance is for adaptation.^{xxxvii}

As noted earlier, **at least 50 percent of Aotearoa New Zealand’s climate finance will go towards adaptation to the impacts of climate change and building resilience to climate change-related loss and damage**. This funding, along with investments into mitigation projects, will ensure our climate finance is well balanced across the adaptation and mitigation priorities that the IPCC has highlighted in its recent reports.

An important aspect of promoting economic, social and climate resilience will be expanding our existing work on Disaster Risk Reduction, including through the [Pacific Resilience Partnership](#).

Looking across NAPS in the Pacific, nations share many common adaptation investment interests, particularly in areas related to ensuring clean and safe water supply, health and sanitation, disaster risk reduction (usually via interventions such as early warning systems, cyclone shelters, coastal protection, and flood management), and community participation.

There is a strong common interest in areas of ‘systems change’ such as capacity building, research and development, inclusion of local knowledge, and technical skills for monitoring and planning for adaptation. Pacific NAPS also give priority to building resilience in primary sectors, such as agriculture, forestry and fisheries.

We acknowledge the desire of Pacific peoples to continue to live in their own countries where possible. We also recognise the potential for individuals and communities to relocate from their land due to the physical impacts of climate change. Such climate mobility or migration is a legitimate response to climate change.

We will invest in research, and work with domestic agencies, mana whenua and Pasifika communities, to better understand the challenges and opportunities associated with climate mobility. We will also support regional-led and international legal processes on this issue. These actions will help us understand potential future implications for Aotearoa New Zealand.

Loss and damage

Pacific Island countries are some of the most exposed in the world to the effects of climate change. There are indications that adaptation limits have been exceeded already in some locations. Economic and non-economic costs are becoming increasingly apparent.

We acknowledge these impacts are a real and growing problem. These are not impacts a country simply adapts to. Addressing loss and damage sometimes requires a complete redirection of efforts to build resilience. Loss and damage is a critical consideration for the entire Pacific region. Designing appropriate responses to loss and damage will benefit from a strong evidence base, informed by climate science and research.

Countries that experience loss and damage on a daily basis may wish to differentiate their responses to that from adaptation. Aotearoa New Zealand will respect that choice.

Acting at scale

Aotearoa New Zealand's NZ\$1.3 billion climate finance envelope for 2022-25 is a significant step up on the previous commitment period, in which we committed NZ\$300 million (although delivered around NZ\$500 million).

Accommodating this extent of increase means we need to think differently about how we deliver climate finance initiatives. Taking a business-as-usual approach will not see Aotearoa New Zealand achieve the goals and outcomes above.

We will therefore prioritise acting at scale with high and enduring climate impact, especially for new initiatives. We will look to scale up existing activities that have a high climate impact.

However, we also recognise the value and durability of bottom-up, locally-led, community-owned initiatives. These can take time to develop 'in the Pacific way' and their adaptation or mitigation benefits may not be seen immediately. We will seek to fund community-led initiatives through partnerships and funding arrangements that allow the cost-effective disbursement of funds. We will learn from previous examples of such community initiatives to ensure their objectives and approaches are feasible and sustainable.

We also acknowledge that for very small development partners, relatively modest climate finance projects can be highly beneficial.

Collaboration is critical

We will continue to work bilaterally, and through partnerships with regional agencies, institutions, and multilateral organisations (including development banks), to deliver climate finance in the Pacific. Our work with the Council of Regional Organisations in the Pacific will remain a priority.

We will seek to align our investments with the priorities documented in the Pacific Island Forum's '2050 Strategy for the Blue Pacific Continent'.

We will also encourage cooperation and explore joint projects with third countries wishing to lift their climate finance engagement and investments in the Pacific, especially when these third countries' technical expertise complements our own and aligns to Pacific climate priorities, such as in renewable energy.

The role of **co-investing** is also important outside of the Pacific, as our diplomatic footprint in developing countries is sometimes limited. In these locations, we will look to work closely with bilateral partners such as (but not limited to) Australia, Canada, the EU, France, Germany, Japan, Singapore, South Korea, the UK and the US.

The choice of co-investor(s) and funding mechanisms will be country- and context-specific, and tailored to be fit for purpose. We will seek to leverage existing climate finance initiatives to support mitigation, adaptation and capacity-building efforts in a cost-effective way.

We will investigate opportunities to **partner with multilateral development banks** such as the Asian Development Bank, World Bank and International Monetary Fund, which all have established climate finance initiatives onto which we can dock, leveraging our funding for the benefit of developing countries.

We will also seek investment opportunities through our ongoing **engagement with multilateral and regional bodies** such as the International Energy Agency, ASEAN,^{xxviii} WTO, Commonwealth Secretariat, APEC, OECD, African Union and CARICOM; and investigate emerging initiatives such as the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition.



ROAD TO FUTURE:

Friendly waves and a more secure future beckon for the Vatawai community in Ba Province in Fiji. This new road not only connects the village to markets, farming land, medical centres and schools, but it also models how infrastructure can be built to withstand changing climatic conditions. The access road was designed with the community, using their traditional and scientific knowledge of risks (such as erosion and flooding) and is now used as a model by the Fijian Government for risk-informed development. This approach is supported by the United Nations Development Programme through the Governance for Resilient Development (Gov4Res) project, funded by Aotearoa New Zealand, which works to strengthen development processes in the Pacific. Bringing together technical information about climate impacts with local knowledge and decision-making empowers communities to build their resilience. Photo: UNDP.

As well as expanding our climate finance reach, partnerships with bilateral and multilateral donors will reduce administrative burdens, leading to more efficient delivery of our climate finance. The **role of UNFCCC mechanisms is important** here, and we will explore scaling up our contributions to UN funds such as the Green Climate Fund, Adaptation Fund and Global Environment Facility (which operates the Special Climate Change Fund and Least Developed Countries Fund).

We will explore deeper engagement with trusted delivery partners which have a proven track record of providing climate initiatives and policy influence in partnership with the Aotearoa New Zealand government, including Crown Research Institutions, NGOs and civil society. We value the technical expertise and embedded cultural knowledge of the Pacific diaspora in Aotearoa New Zealand, Australia and the US, for example, as they seek to contribute to climate change solutions, and recognise the potential of using existing social and cultural structures such as church communities to implement initiatives.

We will draw on private sector expertise and technological solutions, and look to bring **private sector finance** into the mix to support developing country adaptation and mitigation activities.

Being partner-led

A key feature of our engagement with the Pacific in particular is our principle of being partner-led, rather than seeking to impose our preferences on host governments. We acknowledge Pacific nations' mana and sovereignty, and their communities' agency and expertise, in determining their own climate change mitigation and adaptation priorities.

We will **investigate innovative, high-trust mechanisms for supporting Pacific governments** achieve their mitigation and adaptation objectives, including through their NDCs, NAPs and similar planning documents. Options could include direct funding for climate change priorities and exploring the role of Trust Funds.

We will seek to balance high-trust mechanisms with the need for accountability and transparency. Such mechanisms could be accompanied by additional support and expertise to promote robust governance processes.

We recognise that getting access to climate finance funds and other 'green' financial mechanisms can be challenging for developing countries, communities and businesses. We will use our international engagement to advocate for fair share access to funding mechanisms, and encourage funding arrangements that deliver climate finance quickly and simply.

Equity and inclusion

The UN Human Rights Council^{xxxix} notes that "human rights obligations and commitments have the potential to inform and strengthen international and national policymaking in the area of climate change, promoting policy coherence, legitimacy and sustainable outcomes".

We will strengthen our climate finance influence and impact by working inclusively to ensure equity of benefits and transformative change. We will advance the human rights of indigenous people, persons with disabilities, women, people of diverse sexual orientation, gender identity, gender expression and sex characteristics, children and youth, and other marginalised groups, through integration into our design work.

We will design climate finance initiatives to be consistent with existing development action plans, including Aotearoa New Zealand International Development Cooperation's:

- [Human Rights Strategic Action Plan for International Development Cooperation 2021 – 2025](#)
- [Gender Action Plan 2021-2025](#)
- [Child and Youth Well-being Strategic Action Plan](#)

We will **empower and enable** the voices of these priority groups to act and inform inclusive decision-making and the design and delivery of our climate finance initiatives. We will ensure **capability strengthening** approaches are inclusive of those who inherit the guardianship of our planet – children and youth.

This could include, for example, a stronger focus on funding initiatives to integrate climate change into education curricula, which could over time see a greater number of students engaged in higher education related to climate science.

We will also explore expanding Aotearoa New Zealand's scholarship programmes for climate-related education and relationship building.

We uphold our commitment of increasing our gender principal investment to 4% of our development spending, by strategically focusing on **women's leadership** in climate change adaptation and governance, providing opportunities for **women's economic empowerment** across our climate finance initiatives, and programming to **respond to the gender impacts** of climate change.

We also recognise the importance of **localised solutions**, reflecting that many communities – and especially village elders – have been adapting to living with changes in their natural resources and environments for decades. We value Pacific and other developing country **cultural frameworks**, and the role of **indigenous knowledge** in addressing climate change. We are committed to supporting indigenous-led climate projects and working with indigenous communities in ways that recognise their history, culture and expertise.

We will incorporate these factors in the design and delivery of our climate finance initiatives, and promote the deepening of relationships between communities, researchers and policymakers.

Encouraging innovation, accepting risks

We will be open-minded and actively seek **innovative solutions** to climate change problems, including from partner governments, multilateral bodies, scientific institutions including the UN CROP agencies in the Pacific, NGOs and civil society, and businesses.

We will explore piloting new solutions and taking new approaches. Examples could include transforming Pacific tourism offerings to be more sustainability-focused^{xl}; using innovative techniques to promote agricultural land productivity; managing invasive species to build climate resilience; improving data and science related to oceans and fisheries, especially in the Pacific; a step-up in nature-based solutions that help protect and restore natural carbon-rich ecosystems; and projects that use indigenous knowledge and hard scientific data in creative ways.

We will be **comfortable taking managed risks** with our investments where there is the potential for transformative change, recognising that in encouraging innovative solutions we must be prepared for some initiatives to not succeed as well as we hope. We will learn from these initiatives as we consider future investments.

Encouraging innovation and supporting long term investments will need to be carefully balanced with projects that offer more immediate and significant mitigation opportunities. We will seek to deliver a portfolio of activities that vary in terms of their risk profile, timeframe for delivering mitigation or adaptation benefits, scale and delivery mechanism.

Supporting biodiversity, oceans and nature

The Te Mana o Te Taiao/Aotearoa New Zealand Biodiversity Strategy 2020-2050 notes "Biodiversity is in crisis globally, including in Aotearoa New Zealand"^{xli}. A priority for our climate finance investments will be promoting ecosystem protection, conservation and restoration as effective mitigation and adaptation measures in developing countries. Supporting the development of national biodiversity plans is a potential investment opportunity for our climate finance funding.

We acknowledge the important role of nature-based solutions^{xlii} in achieving climate change objectives. Nature-based solutions help protect and restore natural carbon-rich ecosystems, while supporting biodiversity, resilience and social outcomes. They play a vital role in supporting global efforts to achieve the UN SDGs.

We also recognise the need for greater investments into the ocean-climate nexus. Ocean ecosystems play a crucial role in climate resilience, especially in the Pacific. As well as continuing to support existing mitigation and adaptation initiatives, we recognise that better understanding the role of the ocean in the climate system and the impacts of climate change on oceans is critical for providing enhanced mitigation and adaptation pathways in the future.^{xliii}



6. | Monitoring and review

Sitting behind this Strategy is a range of complementary workstreams to guide its practical implementation. The Ministry of Foreign Affairs and Trade is significantly boosting its climate finance capacity to reflect the step-up in our funding commitment.

6.1. MONITORING, EVALUATION, RESEARCH AND LEARNING

A high quality monitoring, evaluation, research and learning (MERL) framework will be developed to support the effective implementation of the Strategy.

We will track and assess the impact of Aotearoa New Zealand's climate finance investments, including our contributions towards partner countries' National Adaptation Plans and efforts to reduce greenhouse gas emissions.

We will also assess our impact through communities' increased resilience to climate change impacts, strengthened capability of individuals and institutions, developing carbon trading markets, and leveraging other development partners' climate finance through co-financing.

The MERL framework will set out data and evidence sources to monitor the effectiveness of the Strategy's implementation and evaluate progress against Strategy goals and outcomes. It will be developed alongside the roll-out of the Strategy in order to build fit-for-purpose monitoring and reporting, ensuring Aotearoa New Zealand's portfolio of climate finance supports the IPCC's adaptation and mitigation priorities.

As part of this MERL framework we will look to develop clear metrics to demonstrate the climate impact this Strategy seeks to achieve.

We acknowledge the importance of being transparent about our climate finance initiatives. We will seek to publish as much information as possible about ongoing investments and progress against the Strategy.

We will also seek to share knowledge and lessons learned from our funded initiatives. We will use easy-to-absorb communication techniques (e.g. infographics, web-based tools, material for sharing via social media) to disseminate this information.

6.2. REVIEW

This Strategy and MERL framework will be regularly reviewed, at least every two years, and updated as required to ensure it remains fit for purpose in a rapid-changing global environment for climate finance. We welcome ongoing feedback from our climate finance partners.

RAISED VOICES:

Arresting visual and sound artworks – created to amplify the Pacific call for urgent climate action – provide distant communities an immediate sense of the challenges facing Pacific island people. This water screen projection on the Wellington waterfront in 2022 featured ten pieces from the Mana Moana – Pacific Voices campaign launched at COP26 in Glasgow in November 2021, where it was used in the Moana Blue Pacific pavilion. Aotearoa New Zealand works closely with Pacific-led organisations such as the Pacific Regional Environment Programme (SPREP) to amplify the Pacific voice in climate change fora and enable the Pacific to tell its own story and have greater influence on global negotiations. Photo: StoryBox.

A | APPENDIX A

Key findings from recent IPCC reports

Table 3: IPCC findings^{xliiv} and implications for Aotearoa New Zealand's climate finance preferences

| IPCC finding | How has this informed our climate finance thinking? |
|--|--|
| Opportunities for climate resilient development are limited in SIDS by existing persistent and acute inequities and development challenges. | At least 50 percent of our climate finance will be directed to the Pacific, where climate change is exacerbating existing economic, social and environmental problems. We will also support adaptation initiatives in SIDS in regions outside the Pacific. |
| The gap between adaptation costs and finance provided is widening. Climate change harms livelihoods due to reduced food and water security, poorer health, and the destruction of homes and infrastructure. | We have quadrupled our public climate finance commitment from NZ\$300 million to NZ\$1.3 billion. At least 50 percent of our climate finance will be for adaptation initiatives that will support communities to adjust to the impacts of climate change. |
| Adaptation planning and implementation has been unevenly distributed. Most adaptation is fragmented, short-term, small scale and sector-specific, limiting transformational opportunities | We will support the implementation of National Adaptation Plans, prioritising larger scale adaptation initiatives with longer term timeframes. Horizontal or thematic initiatives will be encouraged. We will also look to scale up and expand the breadth of existing Disaster Risk Reduction activities. To address fragmentation risks, we will coordinate closely with other donors and domestic stakeholders. |
| Including effective and equitable mitigation in planning can reduce vulnerability and enable climate resilient development. | We recognise the large mitigation opportunities in some developing countries. We will use our climate finance, and seek to crowd-in private finance, to support the implementation of Nationally Determined Contributions. |
| The balance required between adaptation and mitigation varies according to location, past policy decisions, resource availability, culture and values. | In developing countries where mitigation opportunities are more prominent, we will explore supporting just transitions away from a historical reliance on fossil fuels, including through fossil fuel subsidy reform, and developing carbon market infrastructure. We will also support agricultural emissions mitigation. |
| Indigenous peoples and local communities dependent on degrading ecosystems, including marine ecosystems, are especially affected. Conserving, protecting and restoring these ecosystems will reduce the vulnerability of biodiversity to climate change. | Biodiversity has a crucial role in mitigation and adaptation, including food and water security. Along with technical solutions, we will promote nature-based solutions to climate change and support initiatives designed to materially improve biodiversity outcomes and ecosystem resilience, including through long-term planning. Supporting oceans and fisheries research will also be a priority. |

| IPCC finding | How has this informed our climate finance thinking? |
|--|--|
| Humanitarian crises, including displacement, will increase, especially in regions where climate change interacts with and amplifies pre-existing economic and social vulnerabilities. Climate and weather extremes are increasingly driving displacement, with small island states disproportionately affected. Increasing adaptive capacities can provide more choices for those threatened by displacement and reduce the negative effects of involuntary migration. | Climate mobility is becoming an increasingly explored response to the damaging effects of climate change. We have an important role in supporting Pacific nations in particular to plan for the possibility of displacement, internal relocation and cross-border migration. |
| Climate resilient development is more successful when using inclusive processes involving local and indigenous knowledge, especially when linked with scientific knowledge. Yet many vulnerable groups face high barriers to accessing finance. | We will seek to balance acting at scale with the benefits of facilitating locally-led climate solutions. We encourage solutions that capture the views of vulnerable groups, including women, children, indigenous people, people with diverse sexual orientations and gender identities, and those living with disability. We will seek to reduce barriers to these groups accessing climate finance funding. |
| Capability building to deliver better knowledge on climate risks, impacts and consequences can facilitate risk awareness and influence behaviours. Limited data availability hinders adaptation planning and implementation. | We recognise the vital role of research institutions in providing context-specific climate science, data and knowledge. This contributes to better policy-making, and tailored climate initiatives. We acknowledge capacity and capability constraints can limit the effectiveness and range of institutions, including legislators and the public service, especially in the Pacific. |
| Near-term actions that limit global warming to close to 1.5°C would substantially reduce projected losses and damages related to climate change in human systems and ecosystems, compared to higher warming levels, but cannot eliminate them all. | We recognise that many countries are experiencing permanent loss and unavoidable damage caused by climate change. We want to promote vulnerable countries, particularly our Pacific neighbours, having access to predictable, adequate and transparent sources of finance for activities to address loss and damage. |
| Some responses intended to reduce the risks of climate change can themselves cause maladaptation and adverse side effects, such as afforestation on naturally unforested lands leading to biodiversity loss. | We will carefully design and implement climate finance initiatives so as to avoid maladaptation risks, especially as they pertain to biodiversity, ecological and socio-economic safeguards, food security and maintaining and enhancing Indigenous Peoples' rights and interests. |
| Agriculture, Forestry and Other Land use (AFOLU) mitigation options, when sustainably implemented, can deliver large-scale emission reductions and enhanced removals. This will be essential to counterbalance hard-to-abate residual emissions. | We recognise there are opportunities to provide climate finance to generate significant mitigation from the land sectors, including for agriculture and forests. We will leverage our agricultural, land-use and forests policy and sector experience and investments to identify opportunities, including through the Global Research Alliance on Agricultural Greenhouse Gases. |
| Increasing weather and climate extremes has led to some irreversible impacts as human and natural systems are pushed beyond their ability to adapt. Losses and damages are unequally distributed and are not comprehensively addressed by current financial, governance and institutional arrangements, particularly in vulnerable developing countries. | There are indications that adaptation limits have been exceeded already in some locations. Economic and non-economic costs are becoming increasingly apparent. We recognise the importance of loss and damage, especially in the Pacific. |

Endnotes

| IPCC finding | How has this informed our climate finance thinking? |
|--|--|
| Terrestrial, freshwater and coastal and open ocean marine ecosystems have suffered substantial damage and increasingly irreversible losses due to climate change. | We place a high priority on investing in the 'Blue economy', recognising its importance for cultural, social, environmental and economic well-being. |
| Climate change has reduced food and water security, hindering efforts to meet Sustainable Development Goals. Extreme events have exposed many in Africa, Asia, Central and South America, Small Islands and the Arctic to food and water insecurity. | The UN Sustainable Development Goals are central to this Strategy's goals and outcomes, reflecting that climate change has widespread impacts that curtail development. Our regional priorities for climate finance largely reflect the IPCC's findings. |
| Sectors most damaged by climate change and extreme events include agriculture, forestry, fishery, energy and tourism. | This Strategy includes these sectors as priority investment areas. |
| Indigenous Peoples and local communities are particularly vulnerable to the degradation and destruction of ecosystems and their services. | We place a strong emphasis on improving biodiversity and promoting nature-based solutions to climate change. We will encourage investments to support Indigenous Peoples and encourage the use and transfer of indigenous knowledge and techniques. |
| Climate change vulnerability is exacerbated by existing inequity and the marginalisation of groups of society (e.g. women, Indigenous Peoples, low-income communities). | This Strategy emphasises the need for climate finance investments to have equity and inclusion at their core. We will seek to give a voice to marginalised groups. |
| Human adaptation constraints can be overcome by investing in governance, institutional and policy capability. | Building capacity is a key focus for this Strategy, including lifting climate education levels, improving science and research capabilities, and encouraging better decision-making by policy-makers and legislators. |

- i. Such mechanisms could include, for example, biodiversity or oceans credit schemes.
- ii. Our Pacific engagement principles differ slightly from the global principles listed here, reflecting our specific cultural and historical bonds with the region. When working in the Pacific, we will use our Pacific engagement principles.
- iii. IPCC. 2022b. 'Climate Change 2022: Mitigation of Climate Change – Summary for Policymakers'. https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf
- iv. See IPCC. 2022a. 'Climate Change 2022: Impacts, Adaptation and Vulnerability – Summary for Policymakers'. <https://www.ipcc.ch/report/ar6/wg2/>
- v. This Declaration states "climate change remains the single greatest threat to the livelihoods, security and wellbeing of the peoples of the Pacific and our commitment to progress the implementation of the Paris Agreement".
- vi. The IPCC (2022a, p.5, FN12) defines resilience as "the capacity of social, economic and ecosystems to cope with a hazardous event or trend or disturbance, responding or reorganising in ways that maintain their essential function, identity and structure as well as biodiversity in case of ecosystems while also maintaining the capacity for adaptation, learning and transformation".
- vii. There is no internationally agreed definition of climate finance. However, the UNFCCC defines climate finance as "local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change". See <https://unfccc.int/topics/climate-finance/the-big-picture/climate-finance-in-the-negotiations>. Aotearoa New Zealand recognises climate finance as the broad set of finance flows addressed by Article 2.1c of the Paris Agreement and looks at provision of support pursuant to Article 9 as a subset of this.
- viii. See <https://www.beehive.govt.nz/release/new-zealand-increases-climate-aid-contribution>
- ix. Ministry of Foreign Affairs and Trade (2019). 'New Zealand's Pacific and Development Climate Action Plan 2019-2022'. <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Pacific-and-Development-Climate-Change-Action-Plan-2019-22.pdf>
- x. Paragraph 11, Glasgow Climate Pact. https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf.
- xi. For the avoidance of doubt, this Strategy concerns our international climate finance efforts only, rather than domestic climate change investments.
- xii. This architecture includes the UNFCCC, the Paris Agreement, the Convention on Biodiversity, the United Nations Convention on the Law of the Sea (UNCLOS), and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).
- xiii. Aotearoa New Zealand's Emissions Reduction Plan can be found at: <https://environment.govt.nz/assets/publications/Aotearoa-New-Zealands-first-emissions-reduction-plan.pdf>
The draft National Adaptation Plan can be found at: <https://environment.govt.nz/assets/publications/be74b54357/Draft-national-adaptation-plan.pdf>
- xiv. <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/nationally-determined-contribution/>
- xv. IPCC-Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). 2021. (IPBES) https://ipbes.net/sites/default/files/2021-06/2021_IPCC-IPBES_scientific_outcome_20210612.pdf
- xvi. Trade for All Advisory Board. 2019. 'Report of the Trade for All Advisory Board', November 2019. <https://www.mfat.govt.nz/assets/Trade-General/Trade-policy/Trade-for-All-report.pdf>
- xvii. Climate change also increasingly features in our Free Trade Agreements (FTAs). A recent example is a specific article on climate change and provisions towards eliminating environmentally harmful subsidies in the FTA with the United Kingdom.
- xviii. ACCTS is a first-of-its-kind agreement and once concluded it will bring together some of the inter-related elements of the climate change, trade and sustainable development agendas, including legally binding and enforceable reductions of fossil fuel subsidies. See <https://www.mfat.govt.nz/en/trade/free-trade-agreements/trade-and-climate/agreement-on-climate-change-trade-and-sustainability-accts-negotiations/> for more detail.

- xix. The 2021 Aotearoa Plan of Action commits APEC economies to “promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet”. It also encourages APEC economies to cooperate in “promoting sustainable growth across sectors and the development of cost effective low and zero emissions technologies, sustainable finance and, if appropriate, carbon pricing mechanisms”, to increase the role of renewable energy, and advance work on the circular economy and sustainable tourism. See <http://aotearoaplanofaction.apec.org/> The APEC CTI report (Appendix 15) (2021) elaborates on the delivery of a major APEC initiative for the standstill on fossil fuel subsidies.
- xx. See <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/statement-on-indo-pacific-economic-framework-for-prosperity/>
- xxi. See <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/Policy-Statement-New-Zealands-International-Cooperation-for-Effective-Sustainable-Development-ICESD.pdf>
- xxii. We also note and support the [OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change](https://www.oecd.org/paris-agreement/).
- xxiii. Ministry of Foreign Affairs and Trade (2021). Strategic intentions 2021-2025. <https://www.mfat.govt.nz/assets/About-us-Corporate/MFAT-strategies-and-frameworks/MFAT-Strategic-Intentions-2021-2025.pdf>
- xxiv. Note this does not mean each country or region receiving climate finance will be expected to spend at least 50% on adaptation – these proportions refer to the balance between adaptation and mitigation for the portfolio of investments in its entirety. Some countries may have solely adaptation projects, some solely mitigation projects, and some a mix of the two.
- xxv. This is not to say that costs, benefits and rates of return are not important. Robust business cases will be required to ensure our climate finance funding delivers ongoing intergenerational benefits to communities.
- xxvi. Pacific Island Forum Leaders. 2020. ‘Kainaki II Declaration for Urgent Climate Change Action Now: Securing the Future of our Blue Pacific’. <https://www.forumsec.org/2020/11/11/kainaki/>
- xxvii. Ministry of Foreign Affairs and Trade (2021) *ibid*. We have adjusted the title of the ‘Security’ value proposition to also include resilience, reflecting the threat that climate change presents to human security and individual and community wellbeing and livelihoods, and our Pacific ‘Reset to Resilience’.
- xxviii. Kaitiakitanga broadly means guardianship and stewardship. It is a way of managing the environment, based on the Māori world view. It emphasises that humans are part of the natural world.
- xxix. Aotearoa New Zealand Ministry of Defence. 2021. ‘He moana pukepuke e ekengia e te waka: a rough sea can still be navigated: Defence Assessment 2021’. <https://www.defence.govt.nz/publications/publication/defence-assessment-2021>
- xxx. The Pacific Island Forum (PIF) has long-recognised these risks, recently stating “the threats of climate change and sea-level rise [are] the defining issue that imperils the livelihoods and wellbeing of our peoples and undermines the full realisation of a peaceful, secure and sustainable future for our region”. See PIF. 2021. ‘Declaration on Preserving Maritime Zones in the Face of Climate Change-related Sea-Level Rise’. 6 August 2021.
- xxxi. We recognise that well-being is a holistic concept that incorporates spiritual, social, environmental, cultural and intergenerational well-being, not just economic well-being or materiality.
- xxxii. The SDGs and their numbers can be found at <https://www.undp.org/sustainable-development-goals>.
- xxxiii. Our Pacific engagement principles differ slightly from the global principles listed here, reflecting our specific cultural and historical bonds with the region. They are: Tātai Hono (the recognition of deep and enduring whakapapa connections); Tātou Tātou (all of us together); Whāia te Taumata Ōhanga (journey towards a circular economy); Turou Hawaiiiki (navigating together); and Arongia ki Rangiaētea (focus towards excellence). When we engage with the Pacific on climate finance and resilience, these engagement principles will be used.
- xxxiv. See p.32 of IPCC. 2022b. ‘Climate Change 2022: Mitigation of Climate Change – Summary for Policymakers’: https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf
- xxxv. See <https://www.oecd.org/dac/environment-development/Revised-climate-marker-handbook-FINAL.pdf> for more details on the definitions of ‘Principal’ and ‘Significant’.
- xxxvi. See <https://www.resilientpacific.org/en/resources/framework-resilient-development-pacific> for more detail.
- xxxvii. See https://unfccc.int/sites/default/files/resource/54307_1%20-%20UNFCCC%20BA%202020%20-%20Report%20-%20V4.pdf
- xxxviii. For example, the [ASEAN New Zealand joint plan of action 2021-2025](https://www.aem.govt.nz/assets/Uploads/ASEAN-New-Zealand-joint-plan-of-action-2021-2025.pdf) has a strong, shared focus on cooperation on mitigation, adaptation and capacity building.
- xxxix. 2015 Geneva Pledge on Human Right and Climate Action. <https://climaterights.org/our-work/unfccc/geneva-pledge/>
- xl. We note the Pacific Tourism Organisation (SPTO)’s ‘[Pacific Sustainable Tourism Policy Framework](https://www.spto.org.nz/our-work/pacific-sustainable-tourism-policy-framework/)’ has a goal that “Tourism accelerates climate action, protects our ecosystems and support resilience”. The Action Plan of that document provides opportunities for potential collaboration to promote more sustainable tourism.
- xli. Department of Conservation. 2020. ‘Te Mana o Te Taiao - Aotearoa New Zealand Biodiversity Strategy 2020’. <https://www.doc.govt.nz/globalassets/documents/conservation/biodiversity/anzbs-2020.pdf> The accompanying Implementation Plan is at <https://www.doc.govt.nz/nature/biodiversity/aotearoa-new-zealand-biodiversity-strategy/te-mana-o-te-taiao-implementation-plan/>
- xlii. The United Nations Environment Assembly recently agreed that nature-based solutions are defined as “actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits”. See <https://www.unep.org/news-and-stories/press-release/un-environment-assembly-concludes-14-resolutions-curb-pollution>
- xliii. See, for example, the [Pacific Islands Forum Leaders Ocean Statement 2021](https://www.pif.org/our-work/pacific-islands-forum-leaders-ocean-statement-2021/), which states: “We call for increased investment for the establishment of observation systems, to understand impacts of climate change on the Ocean, blue carbon protection and restoration initiatives for climate mitigation and adaptation, as well as monitoring and prediction to strengthen natural disaster response and risk reduction strategies for our islands”.
- xliv. IPCC, 2022a, 2022b, *ibid*.



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

