



International treaty examination of the Agreement between NZ and the EU on the participation of NZ in Union programmes and the Protocol on the association of New Zealand to Horizon Europe

Report of the Economic Development, Science
and Innovation Committee

August 2023

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Naisi Chen
Chairperson

International treaty examination of the Horizon Europe Agreement

Recommendation

The Economic Development, Science and Innovation Committee has conducted the international treaty examination of an agreement between New Zealand and the European Union on the participation of New Zealand in Union programmes and the Protocol on the association of New Zealand to Horizon Europe.

The committee recommends that the House take note of its report.

About the Horizon Europe Agreement

Horizon Europe is the European Union's (EU) main research and innovation funding platform. It is the world's largest multilateral research programme in terms of both the number of participants and the funding dedicated to the programme (NZ\$160 billion from 2021 to 2027). Horizon Europe consists of three pillars. The EU has invited New Zealand to associate to Pillar II of the programme. This pillar, *Global Challenges and European Industrial Competitiveness*, focuses on science that addresses global challenges. Examples include climate change, energy, and global health.¹

Under the association, New Zealand research organisations will be able to bid for, and receive, Horizon Europe funding. This will be on the same terms as their European counterparts. New Zealand research organisations will be able to lead research projects and consortia. They will also be able to retain any intellectual property (IP) that they bring to, and create within, collaborative projects.

Benefits of the Horizon Europe Agreement

The Ministry of Business, Innovation and Employment (MBIE) prepared a national interest analysis (NIA) for the Horizon European Agreement. MBIE describes the main benefits that association to Horizon Europe would provide in the NIA. These benefits are in addition to New Zealand researchers gaining access to the largest research platform in the world. New Zealand would be the first country beyond Europe's "immediate neighbourhood" to associate to Horizon Europe. Association would strengthen New Zealand's relationship with the EU and its member states. It would also contribute to the Government's goal of increasing research and development (R&D) expenditure to 2 percent of GDP by 2030.

Association would enable New Zealand research organisations, innovators, and institutions to engage with the world's best and pursue opportunities that are not available in New Zealand. This includes working with large multinational organisations with huge R&D budgets. Association would increase the country's international connections, resulting in

¹ Pillar I relates to *Excellent Science* and Pillar III relates to *Innovative Europe*.

more global recognition for New Zealand research institutions and researchers. It would also give access to international research infrastructure, routes to market, and increased international funding.

We are interested in how New Zealand will be able to commercialise any research, including who will own any IP and how ownership will be divided between nations. MBIE explained that any IP produced as part of a Horizon project remains the property of the partner that produced it. Any other outcomes of a project would be shared property of all of the partners, with terms agreed by the consortium in advance.

Costs associated with the Horizon Europe Agreement

MBIE estimated the total direct cost of New Zealand's association to Horizon Europe as \$50.18 million between 2023/24 and 2027/28. This consists of an operational contribution and a participation fee paid to the European Commission, and a top-up of overheads from MBIE.

New Zealand will be obliged to contribute funding to the operation of Horizon Europe once the treaty is provisionally applied. The operational contribution covers the research grants to be awarded to New Zealand research organisations—MBIE estimates this cost at \$30.8 million. This figure is based on 44 grants being awarded (at a 20 percent success rate from 220 applications) and a grant average of \$700,000. The participation fee covers a range of administrative activities relating to Horizon Europe's operations, and is estimated at \$900,000. MBIE will also establish a domestic overheads scheme to ensure that New Zealand entities can meaningfully and equitably participate in the programme. The estimated cost for this is \$18.48 million.

We asked whether MBIE has assessed the expected financial benefit for New Zealand. MBIE expects to do so as the association progresses. It has considered how other countries, like Norway, conduct this analysis. MBIE plans to compare the cost of a research grant to the value of the research platforms the association will enable organisations to access. The analysis will also compare Horizon Europe with current research schemes, such as the Endeavour and Marsden funds and the National Science Challenges. We heard that the EU regularly performs these types of assessment and has hundreds of auditors so MBIE intends to make use of its reports.

We asked what would happen if New Zealand decided that the association was not working as hoped. MBIE told us that, although in principle there is an underlying perpetual agreement, New Zealand has only committed until 2027. Either party could also withdraw from the agreement at any stage by giving three months' notice.

Participation in the programme

MBIE explained that the programme is open to any legal entity, and could, for example, include local councils. It told us that all Pillar II projects are assessed against the same types of criteria that are used in New Zealand. They relate to scientific excellence, impact, and implementation.

We asked whether MBIE will be involved in deciding whether to grant funding for projects. MBIE said that one of the appeals of the agreement is that it does not make the decisions.

For the Horizon Europe platform, the European Commission will run the whole process. The people making the decisions will all be international people of repute. MBIE noted that an additional benefit of the agreement is that New Zealanders will be able to sit on the decision-making panels.

Legislation not required to implement the agreement

Association to Pillar II of the Horizon Europe Agreement requires a treaty-level agreement between New Zealand and the European Union. The treaty is split into an agreement and a protocol.² The agreement sets the foundation for New Zealand to participate in EU programmes outlined in protocols attached to the treaty. The protocol will allow New Zealand to associate to Pillar II of Horizon Europe.

The treaty was formally signed by both parties in July 2023. We note that no new legislation is needed for New Zealand to implement its obligations under the treaty. Provisional application is a legally binding way of receiving the benefits and obligations of a treaty before its formal entry into force. Article 15 of the treaty states that it will provisionally apply on the date on which both parties confirm that they have completed the necessary internal procedures. This will be by exchanging diplomatic letters between New Zealand and the European Commission.

The treaty will enter into force after the New Zealand and European Parliaments examine it and another exchange of diplomatic letters takes place. After the international treaty examination process concludes, New Zealand will inform the EU that all domestic procedures have been completed. Approval from the European Parliament and the Parliaments of each EU Member State is expected to take 6 to 18 months, with completion expected in about mid-2024. The treaty will then enter into force, pending confirmation by the Minister of Research, Science and Innovation and the Minister of Foreign Affairs.

We understand that a Member of the European Parliament has objected. We were told that their opposition is not to New Zealand's association. Rather, it is about the way in which the European Parliament manages its treaty process. To date, New Zealand has been negotiating with the European Commission and not the European Parliament.

Our response to the treaty

A copy of the NIA is appended to this report. We note that the Horizon Europe Agreement will enable New Zealand research communities to be internationally connected. It will also provide them with the opportunity to work with bigger research teams and companies and gain access to world-leading research infrastructure.

We thank the Ministry of Business, Innovation and Employment for its work on the Horizon Europe Agreement. We welcome New Zealand signing the agreement and have no matters to draw to the attention of the House.

² Specifically, they are the Agreement Between the European Union and New Zealand on the participation of New Zealand in Union programmes and the Protocol on the association of New Zealand to Horizon Europe—the Framework Programme for Research and Innovation (2021–2027).

Appendix A

Committee procedure

This treaty was referred to us on 21 July 2023. We met between 27 July and 17 August 2023. We heard oral evidence from the Ministry of Business, Innovation and Employment.

Committee members

Naisi Chen (Chairperson)

Glen Bennett

Melissa Lee

Stuart Smith

Hon Michael Wood

Hon Michael Woodhouse

Hon Judith Collins participated in our consideration of this treaty.

Appendix B

National Interest Analysis

The National Interest Analysis, prepared by the Ministry of Business, Innovation and Employment, is attached.





National Interest Analysis

Agreement Between the European Union and New Zealand on the participation of New Zealand in Union programmes, and the Protocol on the association of New Zealand to Horizon Europe – the Framework Programme for Research and Innovation (2021-2027)

For submission to Parliamentary Treaty Examination process July 2023

1. Executive summary

The Agreement Between the European Union and New Zealand on the participation of New Zealand in Union programmes, and the Protocol on the association of New Zealand to Horizon Europe (2021-2027) constitute a treaty for New Zealand to associate to Pillar Two of Horizon Europe (the Treaty). This National Interest Analysis outlines the details of the Treaty, and the benefits and costs of New Zealand associating to Horizon Europe.

Horizon Europe is the European Union's (EU) main research and innovation framework and funding platform. It is the world's largest multilateral research programme, both in terms of the number of participants and the research funding dedicated to the programme (€95.5 billion ≈ NZD \$160 billion, over 2021-2027). New Zealand has been invited by the European Union to associate to Pillar Two of the programme: Global Challenges and European Industrial Competitiveness (€35.5 billion ≈ NZD \$60.2 billion), which focusses on science that addresses global challenges, such as climate change, energy and global health.

Under the terms of association, New Zealand research organisations will gain access to Pillar Two programmes, infrastructure and funding on the same terms as their European counterparts. In addition, they will be able to lead research projects and consortia, and retain possession of the intellectual property they bring to, and create within, their collaborative projects.

New Zealand will be required to cover the cost of any research grant awarded to a New Zealand entity, as well as a participation fee paid to the European Commission, which combined are estimated to cost NZD \$31.70 million over the 2023-2024 to 2027-2028 Financial Years. In addition, the Ministry of Business, Innovation and Employment (MBIE) will establish a domestic overheads scheme to ensure the meaningful and equitable participation of New Zealand entities in the programme, which is estimated to cost NZD \$18.48 million over the 2023-2028 Financial Years. In total, our association to Pillar Two is estimated to cost NZD \$50.18 million over the 2023-2024 to 2027-2028 Financial Years.

If we Associate to Horizon Europe, New Zealand will be the first nation beyond Europe's immediate 'neighbourhood' to do so. The European Union is looking to more closely align with New Zealand and other 'likeminded' liberal democracies in the broader geopolitical context of increasing challenges to the international rules-based order. In addition, New Zealand's national research priorities are likely to closely align with the European research agenda. New Zealand's association to Horizon Europe is a natural next step to strengthen our relationship with the European Union, and support and showcase New Zealand research on a global scale.

2. Nature and timing of the proposed treaty action

Association to Pillar Two of Horizon Europe (Global Challenges and European Industrial Competitiveness) requires a treaty-level agreement between New Zealand and the European Union. The Treaty is split into two parts: the Agreement Between the European Union and New Zealand on the participation of New Zealand in Union programmes (the Agreement), and the Protocol on the association of New Zealand to Horizon Europe – the Framework Programme for Research and Innovation (2021-2027) (the Protocol).

The overarching Agreement sets the foundation for New Zealand to participate in EU programmes outlined in Protocols attached to the Treaty. The Protocol will allow New Zealand to associate to Pillar Two of Horizon Europe, and will last until the completion of New Zealand's Horizon Europe projects, expected to be in 2029. The intent of the Agreement is that New Zealand will be able to associate to future iterations of Horizon Europe via a new Protocol, if we wished to.

The implementing agency on the EU side is the European Commission. In New Zealand it is the Ministry of Business, Innovation and Employment (MBIE).

As of January 2023, the European Commission has implemented a transitional arrangement for New Zealand. This means that New Zealand research organisations have been able to submit applications to Pillar Two programmes, with any contracting pending provisional application of the Treaty.

Formal signature of the Treaty by both parties is currently planned for July 2023. Under Article 15, the Treaty shall provisionally apply on the date on which both parties confirm that they have completed their internal procedures necessary for provisional application. This will occur via an exchange of diplomatic letters between New Zealand and the European Commission, which can occur at officials-level. Provisional application is a legally binding way of receiving the benefits (and obligations) of a treaty ahead of formal entry into force. However, the provisional application can be unilaterally terminated by either party at any point, including if either party no longer intends to become party to the Treaty.

Following examination by both the New Zealand and European Parliaments, the Treaty enters into force upon another formal exchange of diplomatic letters. Once satisfactory completion of the Parliamentary Treaty Examination (PTE) process has occurred, New Zealand will be able to inform the EU that all domestic procedures have been completed for entry into force. Approval from the European Parliament and Parliaments of each EU Member State is expected to take 6 to 18 months, with completion around mid-2024. At this point, the Treaty will enter into force, pending confirmation at that time by the Minister of Research, Science and Innovation and the Minister of Foreign Affairs.

The Treaty will not apply to Tokelau.

3. Reasons for New Zealand becoming a party to the Treaty

While New Zealand's research, science and innovation system is already reasonably connected and respected globally, we need to build on this through more favourable funding and institutional settings that better support how knowledge is transferred and mobilised to innovate at an international scale. Association to Pillar Two of Horizon Europe: Global Challenges and European Industrial Competitiveness, will enable New Zealand research organisations, innovators and institutions to engage with the world's best and take advantage of international opportunities. Association will grow our global connectivity, resulting in more global recognition of, and engagement with, our research institutions and researchers, enhanced access to international research infrastructure, routes to market and increased international funding.

The European Union has one of the world's highest per capita research and development (R&D) budgets. In 2020, EU member states collectively spent €311 billion on R&D, or 2.35 per cent of EU-wide GDP. High levels of investment have resulted in the EU accounting for 18.04 per cent of global research publications.

Europe is also home to much world-leading research infrastructure of a scale not possible in New Zealand, which we will be able to include in project plans under the association. Major facilities include the European Organisation for Nuclear Research (CERN, the particle accelerator leading research into fundamental physics), the European Open Science Cloud for hosting and processing research data, and professional networks and communities such as the Environment Research Infrastructures (ENVI), which facilitates access to 26 European research infrastructures related to environmental research.

The European Union is already one of New Zealand's strongest research partners, with 19.5 per cent of all New Zealand publications produced in collaboration with an EU member state in 2022. The citation performance of these publications exceeds the average citation performance of New Zealand publications, indicating that connectivity with European researchers plays a key role in increasing the quality and impact of New Zealand publications.

Horizon Europe is the world's largest multilateral research programme, both in terms of the number of participants and the research funding dedicated to the programme (€95.5 billion ≈ NZD \$160 billion). Research organisations from any country can apply to be part of the projects under Horizon Europe without association however only in a limited capacity, i.e., they cannot lead their own projects, can only receive funding in very limited circumstances and are not eligible to participate in any of the strategic priority-setting. This is currently the case for New Zealand. 24 grants were awarded to New Zealand participants in the eight years of the previous Pillar Two iteration of Europe's Framework Programme for Research and Innovation, Horizon 2020.

Under the terms of association, New Zealand research organisations (including businesses conducting research) will be able to bid for and receive Horizon Europe funding on the same terms as their European counterparts. They will be able to lead research projects and consortia, retain possession of the intellectual property they bring to, and create within, their collaborative projects, and participate in long-term strategic platforms. These benefits are expected to increase New Zealand research organisations' applications to Horizon Europe, and MBIE estimates that 44 grants will be awarded over 2023–2028.

In addition to the immediate benefits for New Zealand's research organisations, association will contribute to the Government's goal of raising New Zealand's R&D expenditure to 2 per cent of GDP by 2030. It will also contribute to the Government's Economic Plan by strengthening international connections with the European Union and associated countries.

As of January 2023, 16 other countries have associated to Horizon Europe - Albania, Armenia, Bosnia and Herzegovina, the Faroe Islands (provisionally), Georgia, Iceland, Israel, Kosovo, Moldova, Montenegro, North Macedonia, Norway, Serbia, Tunisia, Turkey and Ukraine. A transitional arrangement is in effect for Morocco, the United Kingdom, and New Zealand, pending the completion of domestic procedures for formal association. Canada and South

Korea are currently in formal association negotiations. Japan, Singapore and Australia are also considering membership. The United Kingdom and Switzerland currently have their association suspended, for political reasons relating to disagreement with wider EU policies (Brexit and internal migration respectively).

4. Advantages and disadvantages to New Zealand of the Treaty entering into force and not entering into force for New Zealand

This Treaty is a bilateral agreement between the European Union and New Zealand.

4.1 Advantages of the Treaty entering into force

Association to Pillar Two of Horizon Europe (Global Challenges and European Industrial Competitiveness) will enable New Zealand research organisations to access Pillar Two programmes on the same terms as their European counterparts.

Horizon Europe funds are distributed across six themes known as 'clusters'. These focus on tackling climate change and other global issues aligned with achieving the United Nations Sustainable Development Goals. The six clusters are:

- Cluster 1: Health.
- Cluster 2: Culture, Creativity and Inclusive Society.
- Cluster 3: Civil Security for Society.
- Cluster 4: Digital, Industry and Space.
- Cluster 5: Climate, Energy and Mobility.
- Cluster 6: Food, Bioeconomy, Natural Resources, Agriculture and Environment.

Within these clusters, Horizon Europe incorporates EU 'missions' to increase the effectiveness of funding by pursuing clearly defined targets with a concrete impact. The aim is to achieve bold, inspirational and measurable goals by 2030. There are five missions, including:

- Adaptation to Climate Change: Supporting at least 150 European regions and communities to become climate resilient by 2030.
- Cancer: improving the lives of more than 3 million people through prevention, cure and solutions to live longer and better.
- Restore our Oceans and Waters by 2030.
- 100 Climate-Neutral and Smart Cities by 2030.
- A Soil Deal for Europe: Establishing 100 living labs and lighthouses to lead the transition to healthy soils by 2030.

Association will facilitate research collaboration on these topics of mutual interest to New Zealand and the EU. The Horizon Europe research agenda is likely to align closely with the

National Research Priorities arising from the Te Ara Paerangi – Future Pathways reforms of the New Zealand science system, with the international connections gained through participation in Horizon Europe fulfilling a core objective of Te Ara Paerangi.

Association will also deepen New Zealand's integration into the European, and global, science systems. It confers participation and influence in research agenda setting, research for policymaking, and the shape of future research missions and clusters. It will also grant research organisations early access to insights and knowledge about emerging innovations, providing New Zealand a competitive advantage compared to non-Associated countries, and informing strategic investment decisions both domestically and in other countries. New Zealand is not a member of any other platform of this scale (as they do not exist), and association therefore presents a global science investment governance opportunity that New Zealand does not currently enjoy.

Association would signal, and reinforce, the strength of the partnership between New Zealand and the European Union, building on the foundation established by the 2009 New Zealand – EU Science and Technology Cooperation Agreement. This Treaty is being considered in the wider context of Europe seeking to strengthen its connections with 'likeminded' liberal democracies, in the broader geopolitical situation of increasing challenges to the international rules-based order. New Zealand shares these concerns, and is working to further strengthen its relationship with the EU and its member states, including through the recent negotiation of the 2022 New Zealand – EU Free Trade Agreement.

4.2 Disadvantages of the Treaty entering into force

Aside from the fact that there are financial costs incurred in the Treaty, there are no specific disadvantages, however we note some issues below.

While the Protocol section expires following the conclusion of all of New Zealand's Horizon Europe projects in 2029, the Agreement section of the Treaty technically lasts in perpetuity. The intention of this is to more easily allow New Zealand to Associate to a future iteration of Horizon Europe through a new Protocol, and it imposes no additional immediate requirements. Association via a new Protocol would require New Zealand to complete another round of necessary domestic procedures. New Zealand has the option to withdraw from the Treaty at any time.

Article 12 of the Treaty creates an obligation for payment recovery, wherein the New Zealand Government will be required to pay the European Commission or Court of Justice of the European Union the amount of any pecuniary obligation imposed on a New Zealand entity in relation to their participation in Horizon Europe if that entity does not pay that amount themselves within a specified period. This obligation has the characteristics of an indemnity.

The Minister of Finance has approved in principle the granting of an indemnity under the Public Finance Act in order to meet the obligation under Article 12 of the Treaty. This will occur via a Deed of Indemnity and will be finalised when the date for provisional application of the Treaty is determined between the European Commission and New Zealand.

Given that this indemnity will only be called upon if a pecuniary obligation is imposed, and if the entity does not pay themselves first, the financial exposure is expected to be low. In addition, Article 12 requires the New Zealand Government to hold a contract with the successful entity that allows the Government to seek reimbursement for these costs domestically through the legal system, which in effect will make the indemnity cost-neutral. More detail is provided in section 5.3.

4.3 Disadvantages of the Treaty not entering into force

If the Treaty does not enter into force, New Zealand will not be able to Associate to Horizon Europe. New Zealand research organisations will still be able to participate in other entities' Horizon Europe projects, but will not be able to lead their own projects. They will be eligible for funding on very limited terms, essentially on an ad hoc or junior basis at the discretion of the EU lead. New Zealand will have no influence over the Horizon Europe research agenda, and limited access to European research networks and consortia.

All research that could have been conducted in partnership with Horizon Europe entities, including sharing research expertise, would need to be delivered entirely domestically. This would be very difficult as certain skills sets do not exist in New Zealand. In addition without association, New Zealand research organisations would have severely limited access to European world-leading research infrastructure. It is not feasible for New Zealand to build these infrastructures domestically, as our R&D sector does not have the scale necessary to operate them or cover the very large capital expense.

New Zealand is the first country beyond the European Union's immediate 'neighbourhood' to be invited to Associate to Horizon Europe, which is a positive sign of the good faith relationship that exists between us. However, if we do not decide to Associate, we risk being left behind in this geopolitical and global science space as the EU moves to align with other nations.

5. Legal obligations which would be imposed on New Zealand by the treaty action, the position in respect of reservations to the Treaty, and an outline of any dispute settlement mechanisms

The Treaty creates the following obligations:

5.1 Financial Conditions (Articles 6, 7, 8)

New Zealand will be obliged to contribute funding to the operation of Horizon Europe once the Treaty is being provisionally applied. There are two primary categories of fees which will be paid to the European Commission: an operational contribution, and a participation fee.

The operational contribution covers the research grants awarded to successful New Zealand research organisations. MBIE estimates that the this fee will cost NZD \$30.80 million over Financial Years 2023-2024 to 2027-2028, based on an expected 44 grants being awarded, and a 20 per cent success rate from 220 applications and a grant average of NZD \$700,000. Under the terms of the Treaty this cost is uncapped, and an autocorrection mechanism will be established which will either result in New Zealand receiving a refund if our research

organisations are less successful than expected, or will require us to top-up if our research organisations are more successful.

The participation fee covers a range of administrative activities related to Horizon Europe's day-to-day operations. This fee is a percentage of the pre-agreed operational contribution, starting off at 1.5 per cent in 2023 and rising to 4 per cent in 2027. This participation fee will not change even if the operational contribution differs from estimates, and is expected to cost NZD \$900,000 over Financial Years 2023-2028. There is an additional administrative fee levied when the final grant disbursements are tallied up.

Partial or full non-payment of the financial contribution due by New Zealand may result in the suspension of the Treaty.

5.2 Conduct of Fraud Investigations (Article 10)

New Zealand will be obliged to assist the European Commission and European Anti-Fraud Office (OLAF) with investigations of irregularities, fraud, or other criminal offences that relate to the use of Horizon Europe funds within the territory of New Zealand, and within the confines of existing New Zealand law.

5.3 Payment Recovery Obligation (Article 12)

As mentioned in para 4.2, Article 12 creates an obligation for the New Zealand Government to pay the European Commission or Court of Justice of the European Union the amount of any pecuniary obligation imposed on a New Zealand entity stemming from their participation in Horizon Europe, and if that entity does not pay that amount themselves within a specified period. This obligation has the characteristics of an indemnity.

This clause was included as a negotiated alternative to a standard clause in Horizon Europe association treaties which allows the European Commission or Court of Justice of the EU to enforce these pecuniary obligations directly within the territory of an Associated Country. This standard clause would not be legally possible in New Zealand.

The Minister of Finance has approved in principle the granting of an indemnity under the Public Finance Act in order to meet the obligation under Article 12 of the Treaty. This will occur via a Deed of Indemnity and will be finalised when the date for provisional application of the Treaty is determined between the European Commission and New Zealand.

The financial exposure from this indemnity is expected to be low. Firstly, the likelihood of the indemnity being called upon in the first place is very low as it not only requires a New Zealand entity to have a pecuniary obligation imposed on them due to misconduct, but also to not pay the amount to the European Union within a specified period. In addition, MBIE will contract with all successful New Zealand research organisations to explicitly require them to pay up if such a pecuniary obligation is imposed on them. This gives MBIE a legal mechanism to recover the cost domestically if needed.

5.4 Dispute Resolution (Article 15)

The dispute resolution provisions in the Treaty are high-level and require negotiated outcomes. Implementing agencies (MBIE and the European Commission) would work together to find common consent for amendments to the Treaty. The Treaty does not have any provisions for binding mediation, arbitration, or a similar process.

5.5 Reservation Statement

The Treaty is on a negotiated bilateral basis and does not include any specific reservation statements.

6. Measures which the Government could or should adopt to implement the treaty action, including specific reference to implementing legislation

No new legislation is required for New Zealand to implement its obligations under the Treaty. There is no regulatory impact from the Treaty's entry into force.

The New Zealand Government will need to hold a contract with successful domestic entities to allow New Zealand's obligations to be met, including the enforcement rules. Upon notification from the European Commission that a New Zealand entity has been awarded a Horizon Europe grant, MBIE will arrange a contract with that entity in addition to paying out a domestic overhead top-up. This can be done through existing government mechanisms.

7. Economic, social, cultural, and environmental costs and effects of the treaty action

Aside from the financial costs, there are no immediate economic, social, cultural, and environmental costs from taking this treaty action.

Deepening research collaboration with the European Union and Associate Members will help deepen our integration into the global science system. Economic, social, cultural and environmental benefits from the research coming out of these Horizon Europe projects will be realised in the medium- to long-term as government, business and society translates it into new policy, innovations and technology. A core driver of Horizon Europe is to address global challenges, most notably tackling climate change.

8. The costs to New Zealand of compliance with the Treaty

Direct financial obligations under the Treaty are described in para 5.1.

In addition, MBIE will cover a range of domestic administrative and institutional running costs, or 'overheads', related to New Zealand research organisations' Horizon Europe projects. New Zealand research grants typically include full overhead costs, whereas European grants do not as these costs are usually covered through other, mostly national, research budgetary mechanisms across the research industry and higher education. Establishing an overheads scheme will be necessary to ensure New Zealand research organisations' meaningful and equitable participation in Horizon Europe. It is expected to cost NZD \$18.48 million over

Financial Years 2023-2024 to 2027-2028, calculated as 60 per cent of the operational contribution.

Additional resourcing will also be required to support the successful implementation of the Treaty. The participation fees will support the establishment of a network of 'National Contact Points' (NCPs) to provide detailed information to research organisations and institutions in building successful bids and, in the first few years, assist them in the preparing of bids and negotiating contracts. MBIE would need to support this role in New Zealand. At this stage, there are several pathways through baseline for funding this type of activity, and any costs of this nature are expected to be relatively minor. One NCP will be appointed per 'cluster' (six in total). They will be supported by an NCP Coordinator based domestically and employed by MBIE, and a Brussels-based NCP which will be integrated into the existing MBIE Brussels Science and Innovation Counsellor role.

The total direct cost of New Zealand's association to Horizon Europe is expected to cost NZ\$50.18 million over the 2023-2024 to 2027-2028 Financial Years. The Minister of Research, Science and Innovation has secured NZ\$44.53 million from Budget 2023 for this purpose. The remaining NZ\$5.65 million will be covered from reprioritised funding within the research, science and innovation portfolio.

Table 1: Total estimated cost for New Zealand's association to Pillar Two of Horizon Europe

Year	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	NZD \$ million					
"Operational contribution" <i>Research grants and specific administrative costs</i>	3.50	6.30	8.40	8.40	4.20	30.80
"Participation Fee" <i>Share of EU administrative costs</i>	0.05	0.13	0.25	0.30	0.17	0.90
Subtotal <i>Reimbursable to the Commission</i>	3.55	6.43	8.65	8.70	4.37	31.70
<i>Overheads top-up</i>	2.10	3.78	5.04	5.04	2.52	18.48
Total	5.65	10.21	13.69	13.74	6.89	50.18

9. Completed or proposed consultation with the community and parties interested in the treaty action

The following departments have been consulted in the preparation of this National Interest Analysis and relevant Cabinet paper, and support the treaty action: the Department of Prime Minister and Cabinet, the Treasury, and the Ministry of Foreign Affairs and Trade.

The Minister of Foreign Affairs was consulted, and concurs with the recommendations of the paper.

The following interest groups have been consulted and are supportive of association to Pillar Two of Horizon Europe: Science NZ (representing the Crown Research Institutes), Universities New Zealand, the Royal Society of New Zealand Te Apārangi, and the Independent Research Association of New Zealand. The Prime Minister's Chief Science Advisor, Professor Dame Juliet Gerrard, has also strongly endorsed the prospect of association.

Consultation with selected Māori researchers demonstrated support for association, and support for the specific Te Tiriti o Waitangi and mātauranga Māori provisions included in the Preamble and Articles 5 and 14 of the Agreement section, and Article 4 of the Protocol section. Care will need to be taken over the appropriate use of data.

10. Subsequent protocols and/or amendments to the Treaty and their likely effect

Article 14 establishes a Joint Committee that will be responsible for evaluating the programme and proposing amendments to the Treaty. These amendments will still be required to go through the relevant Cabinet and parliamentary processes in New Zealand before they enter into force, except for amendments proposed under Article 11.

Article 11 states that the Joint Committee may amend Articles 9 (Reviews and Audits) and 10 (Fight against irregularities, fraud and other criminal offences affecting the financial interests of the Union), as these Articles refer to European Union institutions governed by European acts which may change over the course of the Treaty. This provision is limited in scope and is a standard provision in the EU's Horizon Europe treaties.

Article 14(1)(f) states that new Protocols may be added to this Treaty by the Joint Committee. For New Zealand, any additional Protocol, or amendment to these Protocols, proposed by the Joint Committee would be subject to the normal treaty-making processes, including the relevant Cabinet and potentially parliamentary processes, depending on the materiality of the amendments. New Zealand is likely to be invited to the next iteration of Horizon Europe which starts in 2028, which would require a new Protocol to this Treaty, as well as the relevant domestic processes.

11. Withdrawal or denunciation provision in the treaty

Under Article 15(5), either Party may terminate the Treaty at any time by a written notification of the intent to terminate. The Treaty may only be terminated in its entirety. The termination

shall take effect three calendar months after the date on which the written notification reaches its addressee.

Article 15(6) outlines the obligations of the Parties in the case of termination of the Treaty. Specifically it states that any projects that were agreed to prior to termination of the Treaty will still continue under the terms of the Treaty, and New Zealand will still be required to cover the financial contribution related to these projects.

Under Article 16(1) of the Protocol, the Protocol shall remain in force as long as is necessary for all the projects, actions, activities or parts thereof financed from Pillar Two of Horizon Europe, all actions necessary to protect the financial interests of the European Union, and all the financial obligations stemming from the implementation of the Protocol between New Zealand and the EU to be completed.