

The New Zealand emissions trading scheme is part of the government's response to climate change. Emissions trading will help reduce emissions, encourage and support global action, and help put New Zealand on a path to sustainability.

This factsheet provides information on the types of units that can be used in the emissions trading scheme.

Units of trade in the New Zealand emissions trading scheme

Factsheet 27



September 2008

The emissions trading scheme requires certain people to participate and comply with its rules. They are called 'participants'. Other people and organisations can choose to opt in to the emissions trading scheme as participants. Each participant must calculate the emissions from their activities and surrender one emission unit for each tonne of greenhouse gas emissions for which they are responsible. There are various types of units that participants can use to meet their obligations under the emissions trading scheme.

The New Zealand unit

The primary unit of trade for the New Zealand emissions trading scheme is the New Zealand unit (NZU). The NZU is a unit issued and allocated by the government under the scheme. One NZU corresponds to one tonne of carbon dioxide equivalent emissions and each NZU is backed by an Assigned Amount Unit. Participants can use NZUs to meet their obligations under the emissions trading scheme by transferring them to a surrender account.

Kyoto emission units

In addition, participants can use most types of Kyoto emission units for compliance. As with NZUs, this is done by transferring the Kyoto emission units to a surrender account. Kyoto emission units are units established under the rules of the Kyoto Protocol. They include the following:

- > Assigned Amount Units (AAUs) – units allocated to an Annex B country corresponding to the level of allowed emissions for that country as agreed under the Kyoto Protocol
- > Emission Reduction Units (ERUs) – units generated by Joint Implementation projects that reduce or remove emissions in Annex B countries
- > Removal Units (RMUs) – units awarded to Annex B countries on the basis of land use, land-use change and forestry activities such as reforestation
- > Certified Emission Reductions (CERs) – units generated by Clean Development Mechanism projects that reduce emissions in developing countries
- > temporary Certified Emission Reductions (tCERs) and long-term Certified Emission Reductions (lCERs) – units generated by Clean Development Mechanism projects based on afforestation or deforestation activities.



Use of CERs, ERUs and RMUs

Participants can use CERs, ERUs and RMUs to meet their obligations under the emissions trading scheme, subject to the limitation that CERs and ERUs generated from nuclear projects are excluded from the New Zealand Emission Unit Register, and cannot therefore be surrendered under the emissions trading scheme.

Use of tCERs and ICERs

Neither tCERs nor ICERs can be used to meet compliance obligations under the emissions trading scheme.

Use of AAUs

There is no limitation on the surrender of AAUs where those AAUs were originally issued to New Zealand under the Kyoto Protocol.

AAUs originally issued to a country other than New Zealand can also be surrendered under the emissions trading scheme – but only where they meet certain criteria. These criteria will be set out in regulations and will be aimed at ensuring the environmental integrity of imported AAUs.

In addition, AAUs issued to a country other than New Zealand during commitment period one of the Kyoto Protocol (2008–2012) may not be surrendered to cover emissions that occur after commitment period one.

Price of units

There is no fixed price for any particular type of unit. The market price for different types of unit will reflect international market prices at any given point in time. The most frequently quoted price is the secondary CER price. However, other types of credit are likely to be available at lower prices than the secondary CER price. For example, primary market CERs are generally priced lower than secondary market CERs due to the different level of delivery risk associated with the units. Greened AAUs may also trade at a discount to secondary CERs due to their more limited acceptability under other emissions trading schemes.

Where do I hold my emission units?

New Zealand has a Kyoto-compliant register called the New Zealand Emission Unit Register (NZEUR). Individuals ('natural persons') and legal entities can open online accounts in the NZEUR to hold NZUs and Kyoto units. Account holders can transfer emission units within the NZEUR. They can also transfer units to and from an overseas registry. Participants with obligations to transfer units to the surrender account under the emissions trading scheme can do so through the NZEUR.

Trading units outside the emissions trading scheme

Participants and secondary market traders may choose to trade in units for reasons other than compliance with the emissions trading scheme. In particular, they may choose to hold and trade units to take advantage of market opportunities.

The NZEUR allows account holders to hold and transfer units within the NZEUR. It also allows them to transfer units to and from an overseas registry.

When transferring units for purposes other than compliance under the emissions trading scheme, there are fewer limitations on the types of unit that can be used:

- > AAUs can be freely traded within the NZEUR for all purposes other than surrender under the emissions trading scheme
- > tCERs can be freely traded within the NZEUR for all purposes other than surrender under the emissions trading scheme.

However, the following restrictions apply to all transactions under the NZEUR:

- > CERs and ERUs generated from nuclear activities cannot be held within the NZEUR
- > ICERs cannot be held within the NZEUR other than by the Crown.

Where to go for more information

To access or find out more information about the New Zealand Emission Unit Register, visit www.nzeur.govt.nz

For more information on the government's climate change work, including more information about the emissions trading scheme, visit www.climatechange.govt.nz or call 0800 CLIMATE (0800 254 628).