



Ministry for the
Environment
Manatū Mō Te Taiao

Industrial Allocation Guide to Data Collection

New Zealand Government

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Introduction

The New Zealand Emissions Trading Scheme (NZ ETS) is a key part of the Government's response to global climate change. Under the NZ ETS, some businesses will have a legal obligation to surrender 'emission units' to cover their direct greenhouse gas emissions or the emissions associated with their products. The consequent need to acquire these units will effectively put a price on emissions of these greenhouse gases.

Industrial allocation is focused on providing transitional assistance to the parts of the economy most heavily affected by the NZ ETS – the economic activities which are both emission intensive and trade exposed (EITE).¹ The minimum threshold to qualify for industrial allocation is an emissions intensity of 800 tonnes of greenhouse gas emissions (in carbon dioxide equivalents) per \$1 million of revenue from the activity.

To work out whether, and at what level of assistance, an activity qualifies for industrial allocation, the emissions intensity of the activity must be determined. For activities that are potentially eligible for industrial allocation, a Notice will be published in the *New Zealand Gazette* requiring all persons carrying out that activity to provide data on production, emissions and revenue. For the purposes of this guide, persons conducting the activity are referred to as firms.

Emissions and revenue data will be used to determine the emissions intensity of the activity, based on the weighted average of all firms conducting the activity. If the activity qualifies for industrial allocation, the data provided in response to the Gazette Notice will be used to determine how much will be allocated.

Data provided in response to a Gazette Notice must be submitted in accordance with the requirements of the Notice. These requirements include:

- a definition of the activity, including its inputs and outputs, and an exhaustive list of the sources of emissions which are to be included or excluded from the activity
- a definition of the products to be used as the basis of allocation
- data collection rules which set out the methodologies for calculating revenue and emissions relating to the activity as defined. These are the same for all activities
- a specified template for submitting data (the Data Form) with accompanying bases of preparation form (the Bases of Preparation) requiring explanations of any assumptions underpinning the data provided, and a signed declaration (the Declaration).

This guide is designed to help firms comply with the requirements of the Gazette Notice when completing the documents required by the Notice and applies to all activities. It does not take precedence over the Notice itself, or any other associated legislation.

¹ This guide focuses on the emissions-intensity tests. To qualify for industrial allocation, activities must also be trade exposed. Under section 161C of the Climate Change Response Act 2002, industrial activities are trade exposed unless, in the Minister's opinion, there is no international trade of the output of the activity across oceans; or it is not economically viable to import or export the output of the activity.

Who is required to complete the Data Form

Any firm undertaking the activity described in the Notice on that date must complete and submit the Data Form, Bases of Preparation and Declaration.

If a firm fails to provide the data required under the Notice, that firm may not be eligible to be allocated New Zealand Units in respect of the activity, if that activity is ultimately eligible for allocation of units.

There are also offences under the Climate Change Response Act 2002 (the Act) where a person knowingly provides altered, false, incomplete or misleading information or, with the intent to deceive and for the purpose of obtaining a material benefit or avoiding a material detriment, fails to provide information or provides false, altered, incomplete or misleading information.

How to get forms and guides

You can view and download all forms and guides directly from the Ministry for the Environment's (the Ministry) website by going to www.climatechange.govt.nz/industrialallocation. You can also obtain the forms and guides by calling 0800 CLIMATE.

How to get further information

It is anticipated that firms will have questions arising during the data collection process.

Assistance will be available from the Ministry for the Environment to assist firms during the data collection process. In addition, generic questions raised during the process will be noted and included in a regularly updated Frequently Asked Questions website page which can be found at www.climatechange.govt.nz/industrialallocation. To indicate an interest in this assistance, or for any other questions, please email datasupport@mfe.govt.nz.

Due date for submitting data

The Data Form, Bases of Preparation and signed Declaration must be submitted to the Ministry within the timeframe set out in the Gazette Notice relevant to the activity you are carrying out at the date of the relevant Gazette Notice. In most cases this will be within 30 working days from the date the notice is issued.

Please email your forms to industrialallocation@mfe.govt.nz. In addition, please send the signed Declaration and printed copies of the forms to:

2010 Industrial Allocation
Ministry for the Environment
PO Box 10362
Wellington 6143

If you are not able to send your forms electronically by email, please send a copy on CD to the Ministry at the address above. For any further questions on submitting your data, please email datasupport@mfe.govt.nz or call 0800 CLIMATE.

Section 1: Gazette Notice

Each Gazette Notice defines an activity for which the Minister for Climate Change Issues requests information. All firms carrying out that activity at the time the Gazette Notice was published are required to provide certain financial, production and emissions data. This data must be collated and submitted in the form of the specified template (the Data Form).

The Gazette Notice defines for each activity the activity outputs, the product and the included and excluded emissions. Together these define the boundaries of what data should and should not be counted.

In addition, the Gazette Notice defines the data collection rules, which are consistent across all activities. These rules specify how the data should be obtained or calculated. Firms must comply with these rules when they complete the Data Form.

The Gazette Notice also defines the financial years for which data must be supplied. In the most cases, data must be provided for the three financial years, 2006/07, 2007/08 and 2008/09, with each period beginning on 1 July and ending on 30 June.²

As well as the Data Form, the Gazette Notice requires firms to complete and provide a bases of preparation form, titled 'Industrial Allocation Bases of Preparation Form' (the Bases of Preparation). Firms should use this template to provide additional supporting and relevant information for the data provided in the Data Form.

In addition, firms must sign a declaration form (the Declaration) that the information supplied is true and correct.

The Gazette Notice also gives a deadline for the provision of the data. This varies by activity but is a minimum of 30 working days from the date of the Gazette Notice. Failure to submit data and information as required can result in firms being ineligible to receive free allocations of emissions units under the emission intensive and trade exposed (EITE) industrial allocations process.³

² The Gazette Notice will specify if the financial years are different to this.

³ Section 161D (7)(a) precludes any allocation where a person, without reasonable excuse, fails to supply data and information as required.

Section 2: Overview

What will the data be used for?

The data collection process is focused on determining the emissions intensity of activities that are potentially eligible for industrial allocation, and the emissions intensity of the commercial output of those activities.

The Minister requires specific information for two purposes.

First, data will be used to determine whether the activity is eligible for industrial allocation.⁴

Secondly, if an activity meets the emissions-intensity threshold, the data will also enable the Minister to determine how much assistance should be provided.

To determine both of these, firms are required to submit financial, production and emissions data associated with the particular activity. The emissions intensity of each potentially eligible activity is assessed as a weighted average for the industry carrying out that particular activity. To ensure consistency, data submitted must be from the same time periods for each of the firms and consistent methods must be used to determine the financial and emissions data.

Eligibility

The Minister has determined that the activity in the Gazette Notice may be both trade exposed and emissions intensive and therefore potentially eligible for assistance.

The first step in the industrial allocation process is to determine the emissions intensity of an activity. This will be done by considering the quantity of emissions per million dollars of revenue for each prescribed activity. The Minister will use the data collected to determine the emissions intensity for each activity over the three financial years. This will be calculated using the formula set out in the box below.

Emissions intensity is calculated based on the quantity of emissions from the activity per million dollars of revenue from the activity over the three financial years.

$$\text{Emissions intensity} = \frac{\text{total activity emissions}}{\text{total activity revenue per NZ\$M}}$$

⁴ To be eligible for industrial allocation, activities must be both emissions-intensive and trade-exposed. The data collection process is focused only on the emissions-intensity part of the eligibility test. The same emissions data will be used to determine allocative baselines for eligible activities.

The emissions intensity of the activity is a weighted average of the emissions intensity of all firms carrying out the activity. Firms do not qualify for industrial allocation on the basis of their specific emissions intensity unless they are the only firm carrying out that activity. The Act specifies an emissions-intensity threshold which needs to be reached on an activity-wide basis for an activity to be eligible for assistance. The Act also specifies thresholds which determine whether an eligible activity is either moderately or highly emissions intensive. Moderately emissions-intensive activities will receive an initial level of assistance of 60 per cent of the relevant allocative baseline. Highly emissions intensive activities will receive an initial level of assistance of 90 per cent of the relevant allocative baseline.

Allocative baseline

Where the Minister determines that an activity is eligible to receive transitional assistance, it is then necessary for the Minister to determine the allocative baseline. The allocative baseline of a product is expressed in terms of the tonnes of emissions per unit of product over the three financial years. The Minister will use the data collected to determine the allocative baseline for each eligible activity.

Normally allocations will be made in the form of a fixed number of emission units per unit of a saleable product.

Standard information requirements

Revenue, sales and production data

The revenue data for the purposes of the emissions-intensity assessment for eligibility purposes will be derived from production, sales and price data relevant to the outputs defined by each activity definition.

Revenue data must be prepared using the data collection rules. The data collection rules are specified in Schedule 1 of the Gazette Notice. They are also set out in Section 4 of this guide.

It is strongly recommended that financial data submitted is calculated using the New Zealand Equivalents to International Financial Reporting Standards or NZ FRS where the firm satisfies all of the criteria in paragraph 11 of the Accounting Standards Review Board Release 9. Where no New Zealand Accounting Standard exists in relation to the financial data, the specific principles, methodologies and policies used to prepare and present the financial data in accordance with Generally Accepted Accounting Principles should be clearly disclosed by firms in the Bases of Preparation.

Emissions data

The emissions data collected will be used to establish both eligibility and the basis for assistance. As specified in Emissions Rule 1, data are required on fuels combusted directly, process emissions, emissions from the production of heat, and electricity consumption. Only the emissions sources specified in Emissions Rule 1 and directly related to the activity as defined in the Gazette Notice and its Schedules can be included. Liquid fossil fuels and other emissions sources not included in Emissions Rule 1 may not be included.

Emissions data must be prepared using the data collection rules specified in Schedule 1 of the Gazette Notice. The rules and further explanation are also set out in Section 6 of this guide.

Financial years

The Gazette Notice specifies that the data must be provided for the three financial years, 2006/07, 2007/08 and 2008/09, with each period beginning on 1 July and ending on 30 June. It is recognised that, historically, many firms may not have reported on this financial year basis. Accordingly, firms will need to make a reasonable and transparent apportionment of financial, production and emissions data to the specified financial years. Specific rules have been included to address both uncertainty and materiality.

Section 3: Entity Information – Data Entry

Box 1: Activity

Activity specific data collection templates have been produced for each activity. Box 1 of the specified template is locked and contains the description of the specific activity for which the relevant revenue and emissions data are required.

Box 2: Company name

Enter the company name in Box 2.

Box 3: Holding account number

If the company already holds an account with the New Zealand Emission Unit Register, enter the holding account number into Box 3. Leave blank if a holding account is not held.

Box 4: Facility name

If the activity operates using a different name from the company name (for example, an operating division of the company), please include the name here.

Box 5: Physical address

Include the physical address of the site where the activity is undertaken. If the activity is undertaken at more than one location, include details of all the locations in the Bases of Preparation.

Boxes 6–10: Contact details

Enter the contact details into Boxes 6 to 10 for the person responsible for signing the Declaration. Alternatively the contact details for any other nominated person may be entered. It is expected that any queries will be addressed to the person for whom contact details have been provided.

Section 4: Production, Sales and Revenue Data

Revenue, sales and production related data must be provided in Boxes 11 to 17, on Tab 2 of the Data Form.

The revenue, sales and production data supplied must be determined in accordance with the revenue rules. Revenue Rule 1 is the primary revenue rule. Revenue Rules 2, 3 and 4 contain further interpretation of terms used in Revenue Rule 1. Revenue Rule 5 is an optional revenue weighting rule.

The sections below set out the five revenue rules and provide further explanation on each rule.

Revenue Rule 1

Revenue must be calculated as the quantity of activity outputs, for each of the financial years, multiplied by an appropriate market price, exclusive of GST, for each activity output for each of the financial years.

The revenue data used to estimate eligibility must be derived from production and price data for the outputs prescribed in each activity definition. Revenue is therefore calculated for each historical financial year from the quantity (number of units, eg, tonnes) of each activity output as defined in the Gazette notice, multiplied by a unit price (eg, \$/tonne).

Regardless of the financial year a firm uses for financial reporting purposes, information must be provided for the financial years defined by the Act when a firm was undertaking the activity. This ensures that all data used in the EITE eligibility assessment process is collated and submitted to the Minister on the same basis to enable meaningful comparisons.

It is recognised that, historically, many firms may not have reported on this financial year basis. Accordingly, there should be a reasonable and transparent apportionment of financial data and production data to the specified financial years. Specific rules have been included to address both uncertainty and materiality.

Revenue Rule 2

Quantity of activity output(s) is either the direct measure of activity output or is calculated from units sold and changes in inventory. The same methodology must be used for all years.

Activity output data must be supplied separately for each of the activity outputs that are included in the activity definition. There are two ways that the number of units of output can be calculated:

1. quantity of output = direct measurement of output for the defined activity, or
2. quantity of output = units sold (externally or internally) + closing inventory – opening inventory.

Inventories are defined by NZ IAS 2, paragraph 6, excluding sub-paragraph 6(c) as assets that are:

- (a) held for sale in the ordinary course of business, or
- (b) in the process of production for such sale.

Although there is no accounting standard that defines units sold (externally or internally), in determining the point at which the sale of a unit has actually occurred, entities should refer to the guidance outlined in NZ IAS 18, paragraph 14. Although the NZ IAS 18 guidance relates to recognition of revenue, aspects of the definition are also relevant to the timing of sales. In particular, it states that when determining revenue from the sale of goods, the sale shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- (c) the amount of revenue can be measured reliably
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

These timing rules provide recommended guidance for firm's determining quantity of activity output using the second method, based on inventory movements. In addition, for the purposes of ascertaining the quantum of units sold internally, firms should include all units of activity outputs that become inputs to another activity or activities, whether on the same site or not. This includes units that are transferred and for which no corresponding revenue is received.

Saleable quality

The output quantities must only include products that are of saleable quality. The meaning of saleable is included in the Gazette Notice and is:

1. intended to have its ordinary meaning as understood by participants in the relevant market, subject to subclauses (2) to (5)
2. an output produced to a level at which it would ordinarily be considered by participants in the relevant market:
 - a. to be the output of the process; and
 - b. to have a commercial value as that output
3. a substandard product which is discarded is taken not to be saleable or of saleable quality
4. an output which is recycled back while carrying out the activity as defined to produce a new output is taken not to be saleable or of saleable quality

5. material which is scrapped or lost before it is packaged as a product that is saleable or of saleable quality:
 - a. is taken not to be saleable or of saleable quality; and
 - b. is taken not to be included in an amount of product (basis of allocation).

The product may meet particular industry standards or specifications (either general specifications or those set by particular customers). It may also meet internal standards by which it can be used by the firm as part of another process conducted by the firm.

Products that are saleable, or of saleable quality, do not need to be sold in the year of production. Therefore, a product that is produced and transferred to a firm's inventory can be saleable or of saleable quality.

Revenue Rule 3

The market price must be a 'plant gate' price for the activity output. It is the fair value of the product, as defined under the New Zealand Accounting Standard NZ IAS 18, adjusted for transport costs to reflect the market into which it is sold. It must be calculated for each of the financial years either from the revenue received from all external activity output sales during each of the financial years, divided by the number of units of external activity output sales during each of these years; or by using an observable market price for each of the financial years that is appropriate to the duration of time when the output was produced in those years.

An observable market price must be based on a relevant price listed on an international exchange, a price obtained from an industry analyst's report or a price derived from government or industry body statistics.

A 'plant gate' price is the price that a firm would have received if the point of sale was at the plant gate. It is therefore exclusive of any costs of transport to market.

Revenue should be measured in accordance with NZ IAS 18 at the fair value of the consideration received or receivable. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes, and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue.

The fair value of a product is defined under New Zealand Accounting Standard NZ IAS 18 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In other words, it is the expected price that would be reached from an exchange between a willing and independent buyer and a willing and independent seller.

Revenue Rule 3 provides the choice of two methods to determine market price:

- Method 1: Using actual sales data relating to external sales
- Method 2: Using an observable market price.

Method 1: Actual sales data

Where actual sales data is used to derive prices, the sales information used should only include external sales that occurred during the specified historical years. The revenue from the external sales should be divided by the quantity of activity output that was sold externally during those years to establish a sales price for all units sold.

Revenue Rule 3 requires firms to determine market price based on the fair value of the product. Accordingly, in determining the fair value under Method 1, only external activity output sales may be included. For the purposes of the Data Form, units sold externally include:

- (a) units sold to unassociated parties, and/or
- (b) units that are transferred to an associated party at an arm's length price.

Foreign exchange movements

Foreign exchange gains and losses arising from movements in exchange rates between the date of the actual sale transaction and the date of settlement do not form part of the fair value of the consideration received or receivable under NZ IAS 18. They must be excluded from revenue. Further discussion on foreign exchange conversion rates is included under Revenue Rule 4 below.

Transport costs

Most revenue data include a recovery of transport costs. Transport cost recovery is not considered part of the revenue from the activity and should therefore be removed. A separate discussion on transport costs is included below. Any adjustments to remove transport costs recovery must be separately disclosed in the Bases of Preparation.

Date of sale

When using actual sales data to determine the revenue from sales, as outlined above for Revenue Rule 2, it is also important to determine the point at which the sale of a unit has actually occurred to ensure that data is limited to sales that occurred during the specified historical years. Firms should refer to the guidance outlined in NZ IAS 18, paragraph 14, summarised in the guidance on Revenue Rule 2 above.

Method 2: Observable market price

Where there are no material external sales of the output from an activity, or where the entity chooses to adopt Method 2, an observable market price may be used. Whilst firms can choose which method to use, if method 2 is chosen then firms should disclose in the Bases of Preparation why their actual sales data was not used. If the observable market price is chosen then this must be based on one of the sources listed in Revenue Rule 3, ie, it must be based on data from an international exchange or a price obtained from an industry analyst's report or a price derived from government or industry body statistics. In all cases, firms will need to disclose the source of the New Zealand plant gate price and provide sufficient information to support the appropriateness of the adopted figure for the duration of time when the output was produced. Full details must be disclosed in the Bases of Preparation.

Where the observable market price is used, it should be a price or prices for each of the historical years. This observable market price determined needs to be based on the fair value of the product and therefore should be a realistic reflection of the prices across the financial year, or the relevant period of production. For example, these prices could be either quoted prices for the specific time of sale (day or month) or average prices for each of the financial years. Where relevant, firms should consider multiple sources for observable market price and from these sources determine the appropriate observable market price.

The market price must be adjusted, as appropriate, for transport costs and foreign exchange conversions. Foreign exchange conversions rules are contained as part of Revenue Rule 4. A discussion on the treatment of transport costs is below. An appropriate price is defined by its time period, location and product as outlined below.

Time period

Revenue Rule 3 requires, for each of the financial years, that an observable market price is determined. This price must be appropriate to the duration of time over which the output was produced in those years. For example, if output was produced continually over the financial year, an appropriate market price could be:

- a published average price for the financial year(s)
- where the published price is for a differently specified year, such as a calendar year, an appropriate weighting of two average prices, based on the proportion of time or the proportion of production in each period. For example, for the 2006/07 financial year, the price could be calculated as either:
 - 1) 50 per cent of the average price in 2006 and 50 per cent of the average price in 2007, or
 - 2) separate percentages of the average price in 2006 and 2007 based on the proportion of total output that was produced in 2006 and in 2007
- a weighted average of published monthly prices, calculated on the basis of either the proportion of time or the proportion of production in each month.

Location of source data and trading operations

The observable market price may be obtained from international data. However, adjustments will be required to normalise the price to represent a New Zealand plant gate price. The price should be taken, where possible, from a relevant market. For example, if the output is exported to Asia, then it is preferable that an Asian market price be used rather than a North American price. Similarly, if sales are in competition with (or potential competition with) Australian rather than Asian producers, then it is preferable that an Australian price is used. If export markets, or competitor locations are in more than one country, then the price(s) can be based on: (1) a combination of prices from the different locations; (2) the most relevant price; or (3) an available price. In all cases, the justification for the market price used must be included in the Bases of Preparation.

Product

Where the output as specified is a category that includes several potential saleable products, (eg, “blown and pressed glass containers” that would be sold as a combination of wine bottles, beer bottles of different sizes and so on), an appropriate market price would be a weighted average price derived from the market prices of the individual products and the proportion of sales of the different products that make up the total quantity of output.

An inappropriate price may be a low observed market price for a single day used to represent market prices for a whole year, particularly if there are numerous sales during the year.

Transport costs

To avoid distortion of the market price of sales arising from differing distances between entities and their customers, data on market price should be adjusted for transportation costs, such that the market price reflects the price received for the activity output at the plant gate.

When using actual sales data, actual transport cost data should also be used. For determination of observable market price, adjustments to take account of transport costs will differ depending on the market into which the activity output is sold and the source of the observable market price data.

In all cases both actual and observable market price data should be adjusted to take account of transport costs, where relevant. In some cases, there may be additional costs for transporting specific products of a particular activity beyond that associated with distance to market. An example of this is where specialist transportation requirements must be observed such as those for hazardous substances. These additional costs of transportation should be included in the total transport costs to market when using actual revenue data and should be included in any transportation cost adjustments to observable market price. This would be the case with transportation costs associated with hydrogen peroxide.

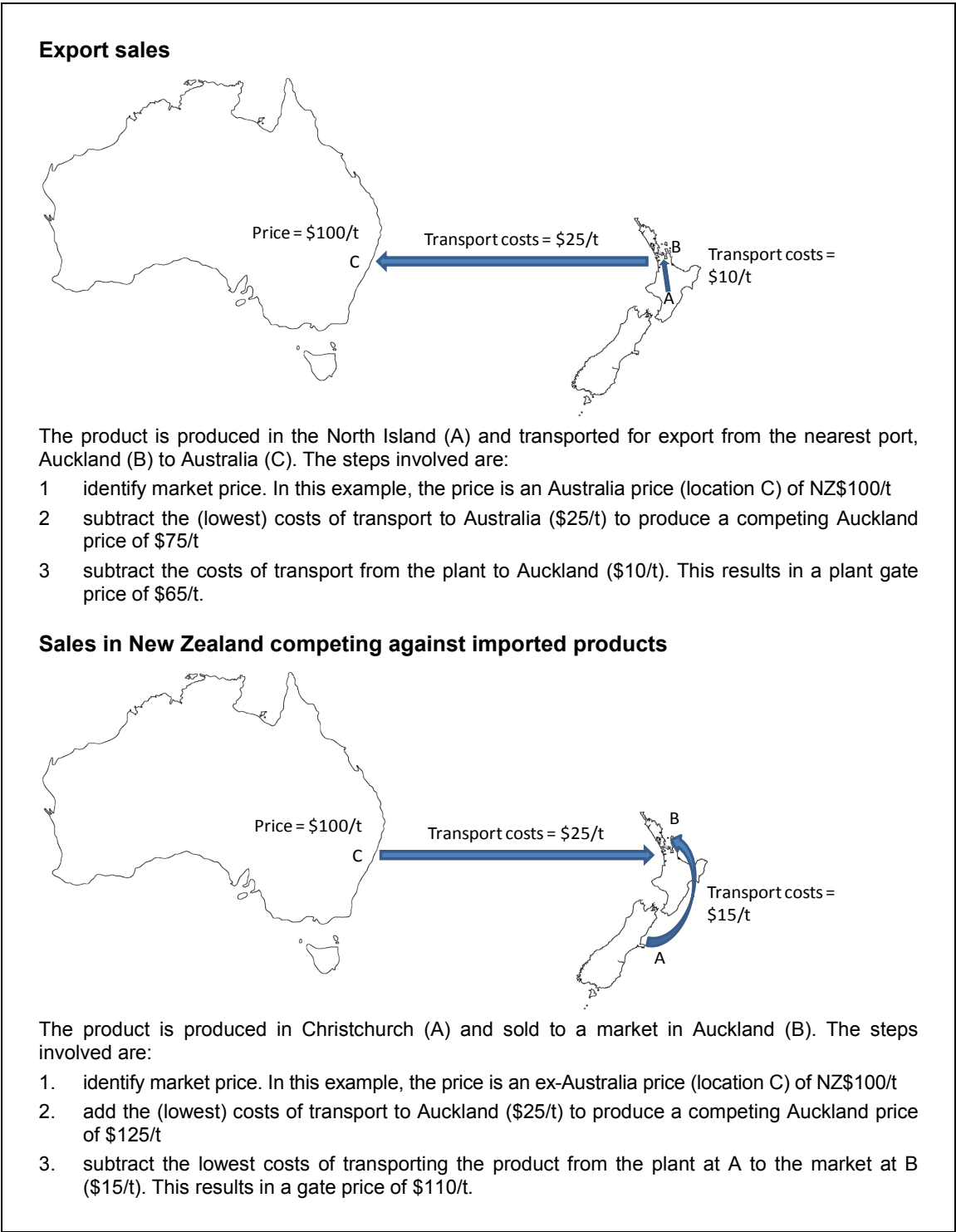
In determining observable market price and the adjustments, if any, required for transport costs to reflect a gate price, some examples of adjustments for transport costs, where transport costs are not already factored into the quoted price,⁵ include:

- (a) If the output from the activity is exported and a New Zealand sourced observable market price has been used, then the relevant price should be the New Zealand observed market price. Actual transport costs from the plant to the location in New Zealand, for which the market price is quoted, should be deducted from the observable market price.
- (b) If the output from the activity is exported and an international observable market price has been used, then the relevant adjustment should be the international market price, less the costs of transport to the market for which the price is quoted.
- (c) If the output is sold in New Zealand and an international observable market price has been used, the relevant adjustment should be the international price plus the costs of transport to New Zealand from the market for which the price is quoted. Actual transport costs from the plant to the market location in New Zealand should be deducted from the observable market price.
- (d) If the output is sold in New Zealand and a New Zealand sourced observable market price has been used, then the relevant price should be the New Zealand observed market price. Actual transport costs should also be excluded from the revenue data.

The approaches suggested in alternatives (b) and (c) above are illustrated in Figure 1.

⁵ The key is to reflect the gate price. In certain cases where transport costs have been factored into the observable market price data, appropriate adjustments may need to be made. Full disclosure of adjustments is required in the Bases of Preparation.

Figure 1: Approaches to price adjustment



Where an observable market price has been used, detailed disclosures are required in the Bases of Preparation. These are discussed fully in the guidance for data entry requirements for Box 16 in the Data Form. Observable market prices are readily obtainable through market analysts and industry commentary.

Revenue Rule 4

Market price must be converted from foreign currencies to New Zealand dollars at the historical rate relevant to the period of activity output.

Where market price is in a currency other than NZD, a number of options can be used to convert it to NZD. The spot exchange rate prevailing at the date of the sale of the activity output can be applied in accordance with NZ IAS 21, paragraph 21: *A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.*

The date of the transaction is the date on which the transaction first qualifies for recognition in accordance with New Zealand Equivalents to International Financial Reporting Standards.

As permitted by NZ IAS 21, paragraph 22, for practical reasons, a rate that approximates the actual rate at the date of the transaction might be used, for example, an average rate for a week or month might be used for all transactions in each foreign currency occurring during that period.

The same approach can be used as that for converting overseas income to New Zealand income for tax purposes. Monthly and 12-month average rates are available from Inland Revenue.⁶ The appropriate exchange rate will depend on the data. If data is gathered on an annual basis, then the 12-monthly average rate should be used for the ending month of the financial year. If data is gathered on a monthly basis, then New Zealand prices can be estimated for each month using the monthly exchange rates. However, if exchange rates fluctuate significantly, the use of the average rate for a period may be inappropriate.

A firm must disclose in the Bases of Preparation whether the actual spot rate or an average rate has been used, together with the range of rates or the weighted average rates applied, by currency, in respect of each financial year for which data are submitted. The source of exchange rate data must also be disclosed where an approximation of the actual rate has been used.

Revenue Rule 5

A weight may be applied to the market price, as calculated in accordance with revenue rules 3 and 4, in each of the financial years. Where a weighting is used, a weight of 0.7 will be applied in the financial year with the highest market price and a weight of 1.15 will be applied in the other two financial years.

The financial years defined for the collection of data include a period in which, for some products, there was a significant and historically unusual rise in prices. To take this into account, the market prices used to calculate revenue may be weighted such that less account is

⁶ This is available from the Inland Revenue Department's website at <http://www.ird.govt.nz/how-to/overseas-currency/>.

taken of the data from the year with the highest price and more account is taken of the other two years. If a firm chooses to use the weighting system, the market price for the year in which the market price is highest would be multiplied by 0.7; price data for the other two years would be multiplied by 1.15. In most instances, using the weighting system will reduce the estimate of total revenue from the activity.

Section 5: Production, Sales and Revenue Data – Data Entry

Before completing the boxes below it is recommended that you have a clear understanding of the relevant revenue rules contained in the preceding section.

Box 11: Units produced of product (basis of allocation)

Enter into Box 11 the product (basis of allocation) units produced during each financial year. The product (basis of allocation) is described in the Gazette Notice for each activity. In most cases the product (basis of allocation) is the same as the activity output(s) (also specified in the activity definition). This box is used to determine the allocative baseline where the activity output and product (basis of allocation) differ.

Box 12: Activity outputs produced

Enter into Box 12 the units of activity output of saleable quality produced by the activity for each of the financial years. The activity output is defined in Section 2(1) of the Gazette Notice. Note that if the activity results in more than one significant product, more than one activity output may be specified in the Gazette Notice.

Refer to Section 4, Revenue Rule 2 which provides guidance on the methods to determine the units produced and also provides definitions for saleable quality and inventories.

Box 13: Units sold externally

Enter into Box 13 the quantity of units sold externally for each of the financial years. Refer to Section 4, Revenue Rule 3 for guidance on both the meaning of units sold externally and the date of sale. Leave this box blank if using Method 2: Observable market price, to determine revenue for each of the financial years.

Box 14: Revenue from units sold externally (NZD)

If your firm is using Method 1: Actual sales method, to determine market price per unit, enter into Box 14 the total revenues received from the sale of units sold externally (shown in Box 13). If your firm is using Method 2: Observable market price, leave Box 14 blank and include the observable market price data in Box 16, discussed below.

Revenue from actual sales must be in New Zealand dollars. This is in accordance with Revenue Rule 4. Refer to Section 4, Revenue Rule 4 for an explanation on foreign exchange policy. Revenue from units sold externally should include the transportation costs reimbursement, if any. This will later be removed in Box 15 to determine the gate price. If revenue data available does not include transportation costs recovered, clearly state this in the Bases of Preparation and leave Box 15 blank.

An entity must disclose in the Bases of Preparation whether the actual spot rate or an average rate has been used, together with the range or rates or the weighted average rates applied, by currency, in respect of each financial year for which data are submitted. The source of exchange rate data must also be disclosed where an approximation of the actual rate has been used.

Excluding the impact of designated and effective hedges

For the purposes of submitting revenue data, the effects of hedging instruments should be excluded when calculating the average market price of sales under Method 1. This will ensure the comparability of revenue data within activities and sectors. The eligibility of firms should not be judged based on their ability to hedge transactions but rather based on the actual market position. To the extent hedging has been used, this information must be disclosed in the Bases for Preparation.

Box 15: Transport costs to market for units sold externally (NZD)

Enter into Box 15 the transport costs associated with the units sold externally for each financial year. To avoid distortion of the market price of sales arising from differing distances between entities and their customers, data on market price should exclude the recovery of transportation costs. Therefore, the market price is the price received for the activity output at the plant gate.

If firms have entered revenues in Box 14 that do not include transportation costs recovered then Box 15 may be left blank. Firms must disclose in the Bases of Preparation that the revenues are exclusive of transportation costs recovered.

Box 16: Observable market price – per unit

If Method 2 is selected for the determination of revenue, enter into Box 16 the observable market price per activity output unit. Firms must disclose in the Bases of Preparation the source, availability and period over which the observable market price has been determined.

Box 17: Transport costs to/from market – per unit

Enter into Box 17 the adjustment to account for transportation costs in relation to the observable market price entered into Box 16. This adjustment is to amend the observable market price to a gate price. It may be entered as a negative (reduction to the observable market price) or a positive (increase in the observable market price). For guidance on the adjustment refer to Section 4, Revenue Rule 4 which provides examples on the types of adjustment to observable market price required to determine the gate price.

Box 18: Apply Revenue Rule 5

Box 18 allows firms to apply Revenue Rule 5 to the market price, determined by using actual sales revenue or observable market price.

Box 18 is set to “NO” as the default. If firms select “YES” then the Data Form will automatically calculate the total revenue for each year applying the weightings as allowed by Revenue Rule 5.

The Data Form will apply the 0.7 weighting to the financial year that has the highest market price. Where two financial years have the same market price which is higher than the third financial year, the 0.7 weighting will be applied to the year with the higher price that has the highest output.

Firms may chose to apply Revenue Rule 5 to observe the change this would make to the total revenue for each financial year. If the outcome is not desired, Box 18 can be reset to the default “NO” which will remove any weightings.

Section 6: Emissions Data

Overview

The 13 emissions rules are listed below with explanatory notes where required. The emissions rules are to be adhered to when determining direct combustion emissions, industrial process emissions, removals and indirect emissions, associated with the activity.

Emissions Rule 1

Data must be supplied for each financial year from only the following emissions sources, expressed in tonnes of CO₂ equivalent:

- (a) the direct oxidation or use as feedstock of any coal, natural gas, used oil, or waste oil as part of the activity;
- (b) the direct oxidation or use as feedstock of any coal, natural gas, used oil, or waste oil to generate steam that is used as part of the activity;
- (c) the direct use of geothermal fluid as part of the activity, including the direct use of geothermal fluid to generate steam that is used as part of the activity;
- (d) any of the activities listed in Part 4 of Schedule 3 of the Act carried out as part of the activity; and
- (e) the use of electricity used as part of the activity.

Section 161E of the Act prescribes the emission sources which the Minister must consider for the purposes of considering emissions to be included with a defined activity. Emissions excluded from this definition cannot be included in the boundaries for the emissions from an activity, for the purposes of determining industrial allocations. These sources are replicated in Emissions Rule 1.

Emissions are expressly limited to combustion of energy fuels, other forms of oxidation (eg, reduction) and a number of identified industrial activity emissions. The emission sources are also limited to the specified fuels.

Emissions associated with electricity are estimated on the basis of electricity consumption used as part of the activity measured at the site. This does not include transmission and distribution line losses.

Liquid fossil fuels may not be included in the determination of emissions from an activity. Further, any steam or electricity consumed or produced on the site which is not used as part of the activity must not be included.

Emissions Rule 2

Emissions must be calculated using the applicable formulae and emission factors specified in these data collection rules and in the specified template. Direct measures cannot be used as a substitute.

The Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 contain specific formulae and emission factors for determining emissions from participants in the NZ ETS. These formulae and emission factors must also be used for the industrial allocation process. This will provide consistency of data submitted, transparency between activities and firms, enable more timely data provision, and reduce the administrative burden that would result from requiring emissions from historic years to be directly measured.

Emissions Rule 3

Emissions from the direct use of natural gas/coal as a feedstock must be calculated as zero when either (1) the feedstock is used to produce an obligation fuel defined in the Climate Change (Liquid Fossil Fuels) Regulations 2008, or (2) the production of the output is eligible to earn emission units under the Climate Change (Other Removal Activities) Regulations 2009.

When coal or natural gas is used as a feedstock, the costs of these feedstocks would be expected to include the costs of emission units. Emissions Rule 3 identifies two circumstances where the impact on total net costs for the purchaser will be less than the full cost:

- where the output of the activity is a fuel that carries an obligation under the ETS, then it is expected that the costs of emission units can be passed on in the price of the output
- where the production activity earns emission units, then the costs of emission units for gas/coal used as a feedstock are compensated through the sales of emission units earned.

If a firm undertakes an embedding activity that results in emissions removals that meets the requirements of Schedule 4, Part 2 of the Act then these removals must be calculated and deducted from the emissions total for each specified financial year.

The Climate Change (Other Removal Activities) Regulations 2009 provides the requirements and method for calculating the removals from producing methanol. The Data Form requires firms to enter the total amount of gas consumed and the amount (in the units specified) of methanol produced each year. Removals are automatically deducted from the emissions total for each specified financial year.

Emissions Rule 4

Emissions for which no obligation exists under the Act due to an exemption made by Order in Council under section 60 of the Act must be calculated as zero.

Emissions Rule 4 applies to persons who have obtained an exemption under Section 60 of the Act. The Minister may give an exemption to a person with whom the Crown has signed a Negotiated Greenhouse Agreement (NGA). This agreement must have been signed before 31 December 2005 and relates only to the activity for which the NGA was agreed. The exemption lasts for the term of the NGA. Emissions covered by an NGA must be calculated as zero.

Emissions Rule 4 also applies to firms who are exempt from being a participant of the NZ ETS under the Climate Change (General Exemptions) Order 2009. This Order exempts some firms undertaking specified activities from being participants if the emissions from, or the consumption of, an emission source are not in excess of a specified threshold. If under a specified threshold, firms will not be subject to surrender obligations. Accordingly, the emissions from the exempted activity or activities should not be included in the emissions data submitted by the firms.

The relevant exemptions are:

Activity	Exemption threshold
Using geothermal fluid to generate electricity or industrial heat	4,000 tonnes of CO ₂ -e per annum
Combusting used or waste oil to generate electricity or industrial heat	1,500 tonnes of used or waste oil per annum

Emissions Rule 5

Total emissions from a heat/steam plant must be allocated to an activity in proportion to its use of the output of the plant. Total emissions from a co-generation plant must be split between heat/steam and electricity emissions on the basis of relative efficiencies of production, using efficiency rates of 80% for steam and 35% for electricity, then the heat/steam emissions must be allocated to the activity in proportion to its use of the output of heat from the plant.

Emissions allocated to heat/steam production must be estimated using the following formula:

$$E_H = \frac{\frac{H}{e_H}}{\frac{H}{e_H} + \frac{P}{e_p}} * E_T \quad \text{and} \quad E_p = E_T - E_H$$

where:

- E_H = emissions allocated to steam production
- H = steam output (energy)
- e_H = assumed efficiency of steam production
- P = delivered electricity generation (energy)
- e_p = assumed efficiency of electricity generation
- E_T = total direct emissions of the combined heat and power system
- E_p = emissions allocated to electricity production

The purpose of this data rule is to estimate the emissions of a combined heat and power (CHP) co-generation plant that are attributable to the heat/steam output of the plant. For the purposes of determining eligibility and for determining allocative baselines, electricity and heat/steam generation are treated differently.

- Emissions from electricity are estimated on the basis of electricity consumption by the activity and generation emissions are not counted.
- Emissions from heat/steam production are estimated from actual emissions from heat plants. When heat/steam and electricity are co-generated, the emissions from the plant are allocated to the individual outputs and only the proportion of emissions that is attributed to heat/steam is taken into account.

There are a number of different ways in which an allocation to heat and electricity can be made. The approach chosen is the one described by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD) under the GHG Protocol.⁷ It estimates the quantity of fuel used in producing each output on the basis of an assumption regarding the efficiency of generation.

The rule provides efficiency assumptions that must be used in calculating emissions. These may be different from actual efficiencies. The GHG Protocol has the following steps:

Step 1: Determine the total direct emissions and the total steam and electricity outputs for the combined heat and power (CHP) co-generation system.

Step 2: Assign efficiencies to steam and electricity production. Values of 80 per cent efficiency for steam and 35 per cent efficiency for electricity are to be used.

Step 3: Determine the fractions of total emissions to allocate to steam and electricity production using the following formulae:

$$E_H = \frac{\frac{H}{e_H}}{\frac{H}{e_H} + \frac{P}{e_p}} * E_T \quad \text{and} \quad E_p = E_T - E_H$$

where:

- E_H = emissions allocated to steam production
- H = steam output (energy)
- e_H = assumed efficiency of steam production
- P = delivered electricity generation (energy)
- e_p = assumed efficiency of electricity generation
- E_T = total direct emissions of the combined heat and power system
- E_p = emissions allocated to electricity production

Step 4: Calculate emission rates for steam production. Divide the total emissions from steam production (step 3) by the total amount of steam produced.

Step 5: Estimate emissions from steam used in the activity.

⁷ Allocation of GHG Emissions from a combined heat and power (CHP) Plant. Guide to calculation worksheets (September 2006) v1.0. A WRI/WBCSD GHG Protocol Initiative calculation tool. Available at: www.ghgprotocol.org/calculation-tools/all-tools

The section of the Data Form which determines emissions associated with heat/steam from co-generation has been based on the GHG Protocol method. The Data Form provides discrete data entry points for firms to enter data components required to perform the calculation. Fuel used to produce heat/steam and electricity from a co-generation plant should be entered into the *Co-generation* tab of the Data Form. The total direct emissions of the combined heat and power system will be automatically entered in the *Emissions* tab of the Data Form once the *Co-generation* tab has been completed. The other required inputs should be entered into the *Emissions* tab. The Data Form automatically calculates the emissions from heat/steam from a co-generation plants once all the required inputs are entered.

Emissions Rule 6

The following specific formulae must be used in estimating direct emissions:

Coal

$$\text{Emissions} = (A_L \times CV_L \times EF_L) + (A_{SB} \times CV_{SB} \times EF_{SB}) + (A_B \times CV_B \times EF_B)$$

where:

A = tonnes of coal consumed for different varieties, including L = lignite, SB = sub-bituminous, B = bituminous

CV = calorific value of the coal class used

EF = relevant emission factor for the relevant coal class.

Natural gas

$$\text{Emissions} = A \times EF$$

where:

A = consumption of natural gas (in terajoules or tonnes, if LPG)

EF = emission factor for natural gas (use either one for the appropriate field(s), if known, or the national average if the gas field(s) is not known).

Geothermal fluid

$$\text{Emissions} = A \times EF$$

where:

A = consumption of geothermal fluid (in tonnes)

EF = emission factor for geothermal fluid.

Used or waste oil

$$\text{Emissions} = A \times CV \times EF$$

where:

A = consumption of used or waste oil (in tonnes)

CV = calorific value of the used or waste oil

EF = emission factor for the used or waste oil.

Emissions Rule 6 provides the formulae that firms must use when calculating direct emissions. These formulae are contained in the Data Form and will automatically calculate when source data, relating to the quantities of fuel used or combusted relating to the activity as set out in Emissions Rule 1, is entered.

These formulae do not calculate fugitive emissions which are excluded from assessments of eligibility and from the determination of allocative baselines.

Determining the natural gas emissions factor to use

Firms are required to use the natural gas emissions factors appropriate to the source of the natural gas consumed or used as feedstock to an activity. Where a firm knows the specific field or fields from which their natural gas is sourced, such as when there is a dedicated supply line(s) or the contract to purchase natural gas specifies the field(s) from which the natural gas is obtained, then this field's (or fields') emissions factor(s) must be used to determine the emissions. Where the field is not known, the firm can use the 2008 national average emissions factor to determine emissions for the use of natural gas.

Emissions Rule 7

Emissions from industrial processes must be calculated using the formulae set out in Part 3 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009.

Emissions Rule 7 is only relevant to those firms which have direct process emissions for which they are separately liable as a participant under the NZ ETS.

Part 3 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (the SEIP Regulations) specifies the information that must be collected and recorded for each industrial process participant. It also provides the methods for calculating the emissions for each industrial process.

The industrial processes to which the data collection for industrial allocation relates are:

- producing iron or steel
- producing aluminium
- producing clinker or burnt lime
- producing glass using soda ash.

For the purposes of completing the Data Form, firms undertaking the above processes must refer to the requirements contained in the SEIP Regulations. For example, if you are producing clinker or burnt lime, information specified in SEIP Regulation 37 must be collected and recorded. This information is then used to calculate emissions from producing clinker or burnt lime using the formula provided in SEIP Regulation 38. The Data Form requires that the quantities of specified inputs (in the units specified) in SEIP Regulation 37 be entered. The Data Form will apply the relevant formula contained in SEIP Regulation 38 to calculate total emissions from producing clinker or burnt lime.

Emissions Rule 8

The emission factors used in calculating emissions must be those listed in Schedule 2 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009.

Schedule 2 of the SEIP Regulations contains the emissions factors which must be used. Use of these factors for the industrial allocation process will provide consistency of data, transparency between activities and firms, enable more timely data and reduce the administrative burden resulting for the requirement to collect data from historic years.

Emissions Rule 9

Indirect emissions from electricity use must be calculated using the following formula:

$$\text{Emissions} = A \times \text{EAF}$$

where:

A = consumption of electricity (in MWh)

EAF = electricity allocation factor.

Emissions associated with the use of electricity are estimated on the basis of consumption of electricity by the activity. A standard emissions factor is used regardless of whether the electricity is generated on the same site as the activity or if the electricity is purchased from the grid. The electricity allocation factor is not an estimate of the average emission factor for the production of electricity, but is a factor that, if multiplied by the price of emission units, provides an estimate of the expected increase in the unit price of electricity.

As stated in Emissions Rule 1, only the electricity consumed (adjusted for any exclusions) may be included in the total MWh consumed by the activity or activities data. Some electricity providers bill for electricity where the cost per unit is inclusive of the estimated cost of transmission and distribution losses. In this case firms should include the total MWh consumed, less apportionments for exclusions. Conversely, other electricity providers bill for total MWh consumed and also estimate MWh associated with transmission and distribution losses.

Emissions Rule 10

For eligibility purposes, electricity emissions must be estimated using an electricity allocation factor of 1 tonne of CO₂-e per megawatt hour of consumption.

For eligibility purposes a value of 1 tonne of CO₂-e per MWh is used. This is the same value that is proposed to be used for estimating eligibility in Australia.

Emissions Rule 11

For allocative baseline purposes, electricity emissions must be estimated using an electricity allocation factor of 0.52 tonnes of CO₂-e per megawatt hour of consumption.

Firms will not be required to calculate the allocative baselines resulting from the data submitted. These will be calculated after submission of the data.

Emissions Rule 12

Best endeavours must be used in calculating emissions.

Simplified and reasonable emission calculation methods of the person's own design can be used for specified small emissions sources that are either excluded or included emissions. These must be, in aggregate, estimated to be no more than 5% of total emissions from the activity at the site, provided that a 5% change in total estimated emissions would not change the eligibility status of the activity, if the activity of the person was considered in isolation when making a decision about eligibility. All methods used must be disclosed in the bases of preparation.

Emissions Rule 12 provides an indication of the extent of effort required to be undertaken when estimating and calculating emissions from smaller emission sources. It is expected that total emissions will be calculated accurately, but simpler methods may be employed where the resulting emissions are not material to the assessment of eligibility.

It is recognised that, historically, many entities may not have reported on the required emission and revenue data on both an activity and financial year basis. Best endeavours should be made to determine accurate data. Where necessary, there should be a reasonable and transparent apportionment of data to the specified activities and financial years.

Estimates must be made of emissions associated with the activity and with complementary activities undertaken by the firm, such as packaging, transportation and corporate operations. The emissions associated with the complementary activities are listed as exclusions in the activity definition. Emissions Rule 12 allows for simplified and reasonable emission calculation methods of the firm's own design to be used when estimating data for these relatively small emissions sources. Firms must exclude these activities and provide details of these exclusions in the Bases of Preparation. Where estimates have been made to determine included emissions and revenue data, such estimates must be disclosed in the Bases of Preparation.

Emissions Rule 13

All emissions associated with the activity must be counted, regardless of whether the output is of saleable quality.

Emissions Rule 13 takes account of inefficiencies in production and ensures that all emissions are taken into account.

Eligibility, on the basis of being either moderately or highly emissions intensive, is determined on all emissions associated with the activity, regardless of whether the output is of saleable quality. Conversely, transitional assistance by way of allocation of free units will be based on products of saleable quality.

Section 7: Emissions Data – Data Entry

Before completing the boxes below it is recommended that you have a clear understanding of the relevant emissions rules contained in the preceding section.

Only emissions attributable to the activity are to be included. It is likely that firms will have to attribute emission sources to both those included in the activity definition and those that are excluded. Further discussion on interpreting activity boundaries and apportioning emissions is contained in Section 8. Full disclosure of the method used to apportion is required in the Bases of Preparation for each emission source.

Boxes 19–53: Fuel combustion emissions (excluding those from co-generation)

Enter the quantities of fuel used or combusted associated with the activity for each financial year in boxes 19 to 53. Fuel directly used or combusted should be entered into the *Emissions* tab of the Data Form. Fuel used to produce heat/steam and electricity from a co-generation plant should be entered into a separate worksheet (the *Co-generation* tab) of the Data Form.. The emission factors and applicable formulae, as required by Emissions Rules 2, 6 and 8, have been hard coded into the Data Form and therefore the emissions will be calculated automatically from the quantity of fuel entered.

The weighted average calorific values for both coal and used or waste oil must be entered into the designated boxes to calculate emissions from these sources. Refer to Emissions Rule 4 for guidance of exemption thresholds regarding geothermal fluid and used or waste oil consumption.

Boxes 54–56: Electricity emissions

Enter the MWh of electricity consumed by the activity for each of the financial years into Boxes 54 and 55. The relevant electricity allocation factor, as specified by Emissions Rule 10, has been hard coded into the Data Form.

Enter the MWh of electricity generated on site and not consumed by the activity in Box 56.

Activities undertaken by very large electricity users (greater than 2000 gigawatt hours per annum at a single facility) with contracts for electricity, are subject to special rules. The relevant electricity contracts will need to be examined by the Minister to establish whether any adjustment to the data provided on indirect emissions from electricity use is needed in accordance with s 161C(4) of the Act.

Boxes 57–59: Co-generation plant emissions

Fuel used to produce heat/steam and electricity from a co generation plant should be entered into a separate worksheet (the *Co-generation* tab) of the Data Form. This tab only needs to be

completed by firms using a co-generation plant. The guidance provided above on how to complete boxes 19–53 should be followed when completing the *Co-generation* tab. The total direct emissions of the combined heat and power system will be automatically entered into box 59 in the *Emissions* tab of the Data Form once the *Co-generation* tab has been completed.

Enter into Box 57 the steam output from co-generation consumed by the activity.

Enter into Box 58 the steam output from co-generation not consumed by the activity.

Note that the unit required for both Box 57 and Box 58 is MWh. Firms may need to convert their data into MWh.

The efficiency ratings of steam and electricity are hard coded into the Data Form.

Co-generation plant emissions must be calculated using the formula specified in Emissions Rule 5. The formula for calculating these emissions is hard coded into the Data Form. Emissions attributable to heat/steam production will be calculated automatically.

Industrial processes emissions

If the activity conducted by the firm does not produce process emissions disregard this section.

Part 3 of the SEIP Regulations specifies the data which industrial processes participants must collect and record. In all cases the data that is required to be collected and recorded is used to determine the industrial process emissions in the Data Form.

Industrial process emissions are determined in accordance with Emission Rule 7. To prevent error, the relevant formulae contained in Part 3 of the Regulations have been hard coded into the Data Form. Once the quantities are input by firms, the emissions will be automatically calculated using the applicable formulae.

Data relating to process emissions must be entered into the Industrial Process Emissions table in the Emissions tab of the Data Form. Where indicated, additional supporting information should be included in the Bases of Preparation.

Producing iron or steel

For each specified financial year enter the total tonnes used by the person into:

Box 60: total number of tonnes of pure calcium carbonate

Box 61: total number of tonnes of pure calcium magnesium carbonate

Box 62: total number of tonnes of carbon in each type of carbon-containing input (other than obligation coal, limestone or dolomite).

Producing aluminium

For each specified financial year enter into:

- Box 60: total number of tonnes of carbon dioxide resulting from baked anodes used during the year
- Box 61: total number of tonnes of carbon dioxide resulting from pitch volatiles used during the year
- Box 62: total number of tonnes of carbon dioxide resulting from packing material used during the year
- Box 63: total number of tonnes of hot metal aluminium produced during the year
- Box 64: the anode effect minutes per cell-day
- Box 65: the slope coefficient for hexafluoroethane expressed as kg of C_2F_6 per tonne of aluminium
- Box 66: the slope coefficient for tetrafluoromethane expressed as kg of CF_4 per tonne of aluminium.

Producing clinker or burnt lime

For each specified financial year enter into:

- Box 60: total number of tonnes of pure calcium oxide in clinker or burnt lime produced
- Box 61: total number of tonnes of pure magnesium oxide in clinker or burnt lime produced
- Box 62: total number of tonnes of calcium and magnesium oxide in cement kiln dust or lime kiln dust.

Producing glass using soda ash

For each specified financial year enter the total tonnes used by the person into:

- Box 60: total number of tonnes of pure sodium carbonate
- Box 61: total number of tonnes of pure calcium carbonate
- Box 62: total number of tonnes of pure calcium magnesium carbonate.

Removal activities

Disregard this section if the firm is not conducting an activity that is also a removal activity.

Enter into Box 60 the tonnes of methanol produced for each specified financial year. The tonnes of emissions removed in the embedded product will calculate automatically for each year and is netted off the gross production emissions.

Section 8: Other Relevant Information

Data Preparation Rule 1

The methods, assumptions and calculations used to produce the data must be disclosed in the Bases of Preparation along with the data in the specified template.

The specific principles, methodologies and policies used to prepare and present the financial, production and emissions data by financial year should be clearly disclosed by firms in the Bases of Preparation and submitted with the Data Form.

This guidance outlines the data required for each box of the Data Form. The Bases of Preparation must be completed to support the data provided in the Data Form.

Data Preparation Rule 2

Where uncertainties arise when determining emission and revenue data, these uncertainties must be declared in the Bases of Preparation.

The industrial allocation process depends on data to be supplied for prior years where data may not have been captured in the form or detail required and accordingly the estimation required may be greater.

Areas where uncertainty is anticipated include the extent of metering, calibration of meters, industrial standard calculations, default emission factors, key estimates and judgements, external invoicing and supplier data, and hedging transactions.

Firms must use accurate data where available. To the extent uncertainties arise, these must be disclosed in the Bases of Preparation.

Interpreting activity boundaries and apportioning emissions

Allocation of emission units will be provided on the basis of activities, not on the basis of firms or sites. The definition of the activity which is potentially eligible for industrial allocation is contained in the relevant Gazette Notice.

Only emissions included within the activity boundary as defined in the Notice can be included in the data provided to the Minister. The Notice provides a definition of the activity, including its inputs and outputs, and a list of the sources of emissions which are to be included or excluded from the activity.

The activity definition sets out the transformation of specific inputs into specific outputs. This determines the beginning and end of the activity and therefore the parameters of the data which must be captured. Generally, an activity begins after inputs have been transported to where the core activity is conducted, such as a storage facility on site. Activities generally end once the described output is produced by the transformation. Firms must carefully consider the activity definition contained in the Gazette Notice relevant to their activity, and in particular the included and excluded emissions. Only included emissions, as defined, should be entered into the Data Form to be submitted to the Minister.

Because allocation is made on the basis of activities, rather than firms, there will be processes undertaken by the same firm which may be considered important to the conduct of the business, such as packaging, head office costs, administration and marketing activities, yet are not integral to the activity as defined. A number of these exclusions are applied to all activities.

Similarly, emissions generated upstream or downstream of an activity will also be excluded. For example emissions associated with extraction activities upstream of the input to the activity are generally excluded from the activity boundary. This includes all processing, fugitive emissions and treatment of any input to the activity before it becomes the input to the activity. In the case of urea production for example, the emissions associated with extraction of carbon dioxide at the Kapuni gas treatment plant before becoming an input to the activity falls outside the activity boundary.

In several cases, specific additional exclusions have been identified in the activity definition for particular activities to aid clarity. For example, the production of ethanol specifically excludes the direct emissions associated with fermentation.

To apportion emissions between processes carried out by a firm, reasonable estimates and assumptions will need to be made. These estimates and assumptions must be clearly disclosed in the Bases of Preparation and may include information on which apportionment has been made.

In certain cases, inputs that are integral to and essential for the transformation that occurs during the particular activity are specifically identified in the list of included emissions for that activity. For example, the emissions from generating steam that is consumed as part of the activity is specifically included in the case of the production of caustic soda. These emissions may be generated by the person carrying out the activity or they may be generated by an independent supplier; in either case, these emissions are included. Similarly, emissions from the production of cryogenic gases used as an input to the activity may also be identified in the list of included emissions.

The Gazette Notice also defines the product (basis for allocation). In some instances, different products have been defined as activity outputs for eligibility purposes and as the product for allocative baselines. This is the case for aluminium where the activity output is saleable aluminium metal and the basis of allocation is primary aluminium with a purity equal to or greater than 98 per cent.

Declaration

The statement of declaration must be submitted together with the specified template (Data Form) and Bases of Preparation. The declaration expressly confirms that the data and information contained in both the Data Form and Bases of Preparation are true and correct and represent the firm's assessment of the data and information required to be submitted in accordance with the relevant Gazette Notice issued pursuant to s 161D of the Climate Change Response Act 2002.

The declaration requires the date and the full name, position, contact details and signature of the person who is signing on behalf of the firm. For firms that are incorporated bodies (including companies, incorporated societies, incorporated trusts, or limited partnerships) the declaration must be signed by a director or an executive officer (or equivalent) of the incorporated body.

Penalties and verification

Information provided to the Minister during the implementation of the industrial allocation regime must be a correct representation of the actual situation. The rules governing the submission of data required under a Gazette Notice do not contain requirements for mandatory third-party audits or verifications. However, data submitted in response to a Gazette Notice will need to be accompanied by a signed declaration. The Minister also has the power under the Act to require any further information considered necessary to enable the verification of the accuracy of the information.

The allocation process relies on a self assessment regime, similar to that of the New Zealand income tax system. Accordingly a penalties regime is in place to prevent the provision of incorrect information. This includes penalties for knowingly providing altered, false, incomplete or misleading information. Also, where information required to determine eligibility of an activity and to develop allocative baselines is not provided, the firms who do not provide this information may not be eligible for allocation.

To help firms supply accurate and complete data in response to a Gazette Notice, the Ministry will engage contractors to help firms understand the data collection and collation requirements.

Those firms who supply information to the Minister (particularly under a Gazette Notice used to collect data) are encouraged to quality assure the information provided under the allocation processes. Firms may wish to engage third parties to conduct this quality assurance.

The Minister may also choose to verify applications for allocation that are made under regulations.

Record retention

The Act contains a general requirement for persons applying for allocation to keep sufficient records to enable the Ministry to verify that they are entitled to receive an allocation, the amount of production they reported and calculations of their allocation. The Ministry may issue guidance about the types of records that should be kept in due course.

While the Gazette Notice does not require firms to submit the source information or records on which the data in the specified template is based, it would be prudent to retain this information for a period of seven years. As already noted, the Minister has the power under the Act to require any further information considered necessary to enable the verification of the accuracy of the information.

Records may be retained in electronic form. However, the stored information should not be in an encrypted form, and should be able to withstand hardware/software changes. Records should be stored within New Zealand. Firms should provide ease of access to records, and provide assistance to officers of the administering agency.