

Topics for NZ ETS Review 2015/2016 consultation

About the consultation

The Government is reviewing the New Zealand Emissions Trading Scheme (NZ ETS) to assess how it should evolve to support New Zealand in meeting future emissions reduction targets and its ongoing transition to a low emissions economy. This follows the announcement by the Government in July this year that New Zealand's post 2020 target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030.

The Ministry for the Environment is leading the consultation and welcomes your feedback on how the NZ ETS is working and how it might work better in the future.

The review will focus on:

- some transitional measures introduced to moderate the impacts of the NZ ETS
- what is required for the NZ ETS to evolve with changing circumstances including future targets
- operational and technical improvements.

Discussion document

For more information about the consultation, read our discussion document. It sets out the issues on which the Government is consulting, the objective and drivers for the review. It also contains the terms of reference for the review.

Some transition measures are being given priority and have the first deadline for submissions as they may be candidates for legislative change in 2016 (see closing dates for submissions below). Refer to the discussion document for detail on the priority and other matters under review.

Technical notes on the following specific issues will be available in December or early 2016 to support submissions:

- modelling of the impacts of the priority issues outlined in the discussion document
- forestry sector matters, including accounting methodologies for post-1989 foresters
- operational and other technical matters.

To be notified of when these technical notes are available, please email nzetsreview@mfe.govt.nz.

Closing dates for submissions

- Submissions on priority issues close at 5pm on 19 February 2016
- Submissions on other review matters close at 5pm on 30 April 2016.

You may make submissions on both priority issues and on the other matters. If you provide feedback on both you can do so in a single submission or separate submissions. Please note submissions on priority issues must be received by 19 February 2016.

Publishing and releasing submissions

All or part of any written submission (including names of submitters), may be published on the Ministry for the Environment's website www.mfe.govt.nz. Unless you clearly specify otherwise in your submission, we will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission and, in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this consultation under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this consultation. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

Contact for queries

Please direct any queries to:

Phone: +64 4 4397400

Email: nzetsreview@mfe.govt.nz

Postal: NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143

Questions to guide your feedback

The questions below are a guide only, and all comments on topics are welcome.

To ensure your point of view is clearly understood, please explain your rationale.

Contact information

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Submission Form

Context and drivers for the review

1. Do you agree with the drivers for the review?

Yes

In particular, Fletcher Building endorses the need for increasing certainty about future policy settings.

2. What other factors should the Government be considering in this NZ ETS review?

Fletcher Building recognises that access to International carbon units for use within the ETS is currently constrained by New Zealand's status with respect to International agreements. However, Fletcher Building would request that the Government provide clear policy with respect to future inclusion of International units, and move to including these in the ETS at the earliest possible opportunity.

Moving to full surrender obligations

3. Should the NZ ETS move to a full surrender obligation for the liquid fossil fuels, industrial processes, stationary energy and waste sectors?

Yes

Fletcher Building agrees with the proposal to move to Full Surrender as it supports the driving objectives of the review and brings a clarity to the ETS, allowing a further degree of certainty to business planning.

4. What impact will moving to full surrender obligations have on you or your business?

Please include specific examples or evidence of the impacts on you or your business of:

- a) increased carbon prices, including actions to reduce emissions and future investment decisions. Please comment on effects that may occur at carbon prices ranging from \$5 to \$50, including any evidence of actions taken previously when carbon prices were higher.
- b) any NZ ETS administrative or operational issues, for example the option for participants to apply for a unique emissions factor.

While the inevitable increase in 'flow through costs' will be hard to pass on in the current competitive market situation, the financial impact is manageable and provides further focus on energy programmes. Fletcher Building companies have won EECA and Sustainable Business Network awards for innovative initiatives such as Golden Bay Cement's switching use of coal to wood waste, and Laminex NZ pelletizing process wood waste for subsequent use.

Further innovative energy efficiency or emission reduction projects may require application for unique emission factors and it is important that this process is accessible and efficient in order to support our internal capital investment processes.

Fletcher Building wishes to record that transition to a Full Surrender obligation would put emission intense, trade exposed businesses at double the financial impost should the EITE allocation be changed and it is therefore stressed that the EITE policy settings must remain in place to ensure a fair competitive market for domestic manufacturers in comparison with imports. This point will be elaborated on in the second submission.

5. If full surrender obligations are applied, when should this be implemented?

b) 2017

Fletcher Building is of the view that simplicity of process suggests applying the change to Full Surrender to a full year.

Managing the costs of moving to full surrender obligations

6. If the NZ ETS moves to full surrender obligations, should potential price shocks be managed?

No

Fletcher Building believes the current settings, including the fixed price surrender value of \$25 per tonne are satisfactory.

7. If potential price shocks associated with moving to full surrender obligations should be managed, how should this be done?

a) maintain the fixed price option at \$25

If the change to 'full surrender obligation' is carried out, the \$25 fixed price option must be retained until the unit (NZU) market value settles or until 2021 earliest with clarity of availability of international units settled.

8. If the \$25 fixed price surrender option value should change, what should it change to and why?

N/A

Any other comments related to issues set out in the discussion document

28. Please comment here

Fletcher Building will make submissions on the other matters related to questions 9 to 27 by the 30th April.

When your submission is complete

Email your completed submission to nzetsreview@mfe.govt.nz or post to NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

Submissions on Priority issues close at 5.00pm on 19 February 2016.

Submissions on Other matters close at 5.00pm on 30 April 2016.