



The New Zealand Emissions Trading Scheme

Consultation on three proposed updates to the Climate Change (Stationary Energy and Industrial Processes) Regulations (2009): (1 & 2) Mining and purchase of natural gas, (3) Mining coal

Purpose

The purpose of this consultation document is to seek your views on three proposed updates to the Climate Change (Stationary Energy and Industrial Processes) Regulations (2009) made under the Climate Change Response Act 2002, and relate to the New Zealand Emissions Trading Scheme (NZ ETS).

Two of the proposed changes will affect participants within the NZ ETS who report emissions arising from the mining or purchase of natural gas. The third proposed amendment will affect participants who mine coal.

This consultation will close on 15 July 2015 and it is proposed that the resulting amendments will come into effect from 1 January 2016 after being published in the New Zealand Gazette during September 2015.

Scope

The regulations that support the NZ ETS require regular updating. These changes are one of a series of technical amendments to regulations proposed for 2015. These proposed changes seek to update technical factors such as default emission factors (DEFs) where necessary, as well as to remove errors and inconsistencies where these have been identified. Please see [consultation page](#).

This consultation document covers three proposed changes to the Climate Change (Stationary Energy and Industrial Processes) Regulations (2009) (SEIP regulations).

The first two proposed changes affect those who mine or purchase natural gas. The first change would update the DEFs for natural gas reported in Table 10, Schedule 2. The second change would make a minor addition to regulation 50(4) to enable use of a unique emissions factor (UEF), in order to remove an inconsistency between reporting under the SEIP and UEF regulations.

The third proposed change seeks to change the timing of when a coal mining participant can report coal sold to a customer which is then exported in a different reporting year.


Parties directly affected by these proposed changes will be sent a copy of this consultation document.

Proposed changes

1. Updating natural gas default emissions factors in Table 10, Schedule 2

Background

The SEIP regulations define the DEFs to be used in the reporting of emissions from the mining or purchase of natural gas extracted from particular



fields in New Zealand. The DEFs for the mining or purchase of natural gas are set out in Table 10 of Schedule 2 to the SEIP regulations.

Status Quo

The natural gas DEFs were last updated in 2014, based on 2012 calendar year data.

Problem definition

The composition of the extracted natural gas changes over time, therefore the DEFs used in the NZ ETS need to be periodically updated to maintain the accuracy of the scheme. Regular updating of DEFs also enables fields to be added and removed as necessary.

The proposed updates to the DEFs have been determined based on:

- gas emissions data supplied to the Ministry of Business Innovation and Employment (MBIE) by mining companies;
- standard non-CO₂ emission factors; and
- oxidation factors consistent with those used since 2010.

Preferred option

The preferred option is to update the DEFs in Table 10, Schedule 2 of the SEIP regulations to align the factors with the most recent available gas composition data from each field.

The proposed updates to the DEF figures in Table 10 are based on 2013 calendar year data and are set out in Annex A to this document.

Impact assessment

The proposed updates to the DEFs in Table 10 of the SEIP regulations will improve the accuracy for the reporting of mining or purchased natural gas emissions where these use DEFs.

2. Aligning SEIP regulation 50(4) with UEF regulation 13(3)

Background

SEIP regulation 50 specifies how an opt-in natural gas participant (gas purchaser) calculates their emissions obligations. Regulation 50(4) specifies one of three means of calculating emissions, based on the field specific DEFs in Table 10,

Schedule 2. While the policy intent of the regulations is that an opt-in natural gas participant may use a UEF, the drafting of regulation 50(4) does not explicitly allow it.

Status Quo

The present wording of regulation 50(4) requires the use of the DEFs from Table 10.

Problem definition

If a gas purchasing participant had been granted a UEF and planned to report emissions using 50(4), it would be required to use the DEF in Table 10 for the relevant gas field when reporting emissions. This potentially denies them the benefit of a UEF which will be lower emissions than use of the DEF.

Preferred option

The preferred option is to enable the use of an approved UEF for emissions reporting under 50(4), if one has been granted. Otherwise reporting will continue to be by field specific DEF.

Impact assessment

No UEFs have yet been granted to natural gas purchasing participants. Hence no parties will be directly affected at this time. This proposal will, however, eliminate a potential inconsistency with the UEF regulations should an application be received.

3. Reporting emissions for coal sold in a year and then exported by a downstream customer in the following year

Background


The SEIP regulations specify how participants mining coal report the emissions associated with coal sales. The regulations also specify how emissions are to be deducted from coal that is subsequently exported by a third party.

Status Quo

The coal mining section of the SEIP regulations require sales to be reported at the point of sale and coal exports reported at the point of export.

Problem definition

A situation has occurred where a miner reported sales to a third party for one year and where the coal is exported in the following year. The result



was an apparent negative emission for the miner in the following year.

This situation resulted in the miner bearing the cost of a 'non-emission' for a year, and the implementing agency having to manage uneven surrenders.

Preferred option

The preferred option is to allow increased flexibility in aligning reporting for this sub-class of coal sales.

Impact assessment

This proposal avoids the coal mining participant having to surrender units to cover coal that is subsequently exported. It provides easier implementation by minimising the need for the implementation agency to subsequently reduce surrender obligations following export of the coal.

The proposal does not change the miner's overall surrender obligations; all emissions that occur in New Zealand still need to be accounted for. The timing for reporting those emissions may change, however.

This is expected to be a benefit for miners who sell coal for export by a third party, where these sales are a significant proportion of their total.

Implementation timetable

The following implementation timetable relates to all three changes to allocative baselines in the ETS.

Consultation	2 July 2015 to 15 July 2015
Regulations amended	Prior to 30 September 2015
Regulations in force	1 January 2016

Consultation Questions

1. emissions factors (DEFs) in Table 10, Schedule 2 of the SEIP regulations

- a. Is there any other information (eg, inclusion of closed fields or missing gas fields?) you would like to be considered before the updates to gas DEFs are finalised?
- b. These revised DEFs would apply from 1 January 2016. Are there any issues relating to the timing of this proposal that you would like considered?
- c. These updated DEFs are based on 2013 data. This is because of timing of data processing by MBIE and consultation and notice requirements from the Climate Change Response Act. Does this timing disparity cause issues for any participants?

2. Align SEIP regulation 50(4) with UEF regulation 13(3)

- a. Are there any matters you would like considered with this technical proposal?
- b. Does this proposal provide you with any benefit?

3. Reporting emissions for coal sold and then exported by a downstream party in the following year

- a. Do you support the intention of this proposal?
- b. Are you directly or indirectly affected? If so please elaborate.
- c. Is the impact beneficial or adverse or immaterial?
- d. Are there any issues with this proposal (such as unintended consequences) that you would like considered?

Have your say

Please send your submission by email to:
etsconsultation@climatechange.govt.nz
If you are unable to email your submission then
please post it to:

ETS Regulations updates 2015

Ministry for the Environment
PO Box 10362, Wellington 6143

About the submission process

The closing date for submissions is:
5pm Wednesday 15 July 2015.

Find out more

www.climatechange.govt.nz/ets.
Phone: 0800 CLIMATE (254 628)

Next steps

Submissions will be analysed by the Ministry for the Environment and reported to the Minister for Climate Change Issues for final decisions. Updates about the process will be provided on the Climate Change website: www.climatechange.govt.nz.

About submissions

The Ministry for the Environment may publish all or part of any written submission on the Climate Change website. We will consider you to have consented to such publishing by making a submission, unless you clearly specify otherwise in your submission.

The content of submissions is subject to the Official Information Act 1982. Copies of submissions sent to us will normally be released in response to an Official Information Act request from a member of the public. If you object to the release of any information contained in your submission, please clearly state this in your submission, including 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 document.

If you do not wish your name and any identifying details in your submission to be released in response to a request, please clearly state this in your submission. At your request, we will make your submission anonymous before it is published on the Climate Change website. However, please note that the Ministry for the Environment will not be able to withhold any information if doing so would contravene the requirements of the Official Information Act.

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Ministry for the
Environment
Manatū Mō Te Taiao

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Manatū Mō Te Taiao

Po Box 10362
Wellington 6143

www.climatechange.govt.nz/ets
0800 CLIMATE (0800 254 628)

Annex A: Proposed revisions to table 10 in the Climate Change (Stationary Energy and Industrial Processes) Regulations (2009)

Please note that for clarity the current default emissions factors have been presented in this table alongside the proposed new emissions factors.

Mining or purchasing natural gas

Class	Emissions factor (current)	Emissions factor (proposed)	Units
Kaimiro ^^	54.60	-	tCO ₂ e/TJ
Kapuni	53.89	53.40	tCO ₂ e/TJ
Kapuni LTS **	85.90	85.90	tCO ₂ e/TJ
Kowhai	53.34	53.55	tCO ₂ e/TJ
Kupe	54.13	54.82	tCO ₂ e/TJ
McKee	53.59	53.41	tCO ₂ e/TJ
Maari	51.63	53.63	tCO ₂ e/TJ
Mangahewa	53.31	53.37	tCO ₂ e/TJ
Maui	52.37	52.32	tCO ₂ e/TJ
Ngatoro-Kaimiro ^^	54.60	53.41	tCO ₂ e/TJ
Pohokura	53.77	53.65	tCO ₂ e/TJ
Rimu/Kauri	52.10	52.00	tCO ₂ e/TJ
TWN ^*	52.78	-	tCO ₂ e/TJ
Turangi	55.03	55.02	tCO ₂ e/TJ
National average (2013 calendar year)	53.53	53.39	tCO ₂ e/TJ

** No data available, left at previous year level

^^ Amalgamation of Kaimiro and Ngatoro

^* No sales so will be removed from Table