

Climate Implications of Policy Assessment: Disclosure Sheet

This disclosure sheet provides the responsible department’s best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand’s future emissions budgets.

Section 1: General information

General information	
Name/title of policy proposal or policy option:	NZ ETS settings regulations
Agency responsible for the Cabinet paper:	Ministry for the Environment
Date finalised:	28/04/2020
Short description of the policy proposal:	<i>The proposal is for a provisional emissions budget (PEB) and regulations for New Zealand Emissions Trading Scheme unit supply and price control settings. The proposals include a PEB of 353.6 Mt CO₂-e, an overall unit supply limit for 2021-25 of 159.5 million NZUs, a minimum sale price at auction of \$20 for 2021 that rises by 2% annually for 2022-25, and a cost containment reserve trigger price of \$50 for 2021 that rises by 2% annually for 2022-2025.</i>

Section 2: Greenhouse gas emission impacts

Table 1: Percentage contribution of ETS to achievement of PEB

Changes in greenhouse gas emissions (thousands of tonnes/millions of kilograms of carbon dioxide equivalent).								
	2020–25	2022–25	2026–30	2031–35	2036–40	2041–45	2046–50	Cumulative impact
Total difference between PEB and projections (of sectors listed in table 2)	-12,557	-11,625	-25,442	-42,910	-61,498	-87,477	-120,976	-350,861
Total direct impact of ETS settings	-7,627	-7,061	-16,315	-29,877	-46,545	-68,735	-95,833	-264,984
Percentage contribution of ETS to achievement of PEB	61%	61%	64%	70%	76%	79%	79%	76%

Table 2: Direct impact of ETS settings by sector

Sector & source	Changes in greenhouse gas emissions (thousands of tonnes/millions of kilograms of carbon dioxide equivalent).							Cumulative impact
	2020–25	2022–25	2026–30	2031–35	2036–40	2041–45	2046–50	
Electricity	-3,724	-3,439	-6,751	-4,382	-3,031	-5,126	-11,486	-34,499
Transport	-916	-851	-1,622	-1,814	-1,136	-735	-793	-7,015
Industry	-1,255	-1,175	-2,675	-3,678	-4,265	-5,357	-6,845	-24,076
Waste	-1,208	-1,141	-2,685	-3,643	-4,023	-4,902	-6,213	-22,673
Agriculture	-589	-520	-1,190	-5,581	-12,453	-19,157	-25,715	-64,684
Land use, land use change and forestry	64	64	-1,392	-10,780	-21,637	-33,458	-44,833	-112,036
Total	-7,627	-7,061	-16,315	-29,877	-46,545	-68,735	-95,833	-264,984
Total excluding agriculture*	-7,039	-6,541	-15,125	-24,296	-34,092	-49,578	-70,168	-200,299
Sequestration	0	0	-1,392	-10,780	-21,637	-33,458	-44,833	-112,100

* see section 3

Table 3: Annual impact as percentage of annual gross emissions**

	2030		2050	
	Estimated annual impact (thousands of tonnes CO ₂ -e)	Impact as percentage of 2017 annual gross emissions**	Estimated annual impact (thousands of tonnes CO ₂ -e)	Impact as percentage of 2017 annual gross emissions**
Total difference between PEB and projections	-6,408	7.9%	-26,114	32.3%
Total direct impact of ETS settings	-3,840	4.7%	-21,058	26.0%

** New Zealand's gross greenhouse gas emissions in 2017 were 80,854 thousand tonnes of carbon dioxide equivalent (CO₂-e) or 80.9 Mt CO₂-e.

Section 3: Additional information

Additional information

- The estimated impacts disclosed have been developed to provide a sense of size and scale of impact as it is not possible at this time to model the direct impact of the ETS on emissions to a high level of accuracy.
- Emissions impact of each sector have been determined by applying an estimated percentage impact of the ETS on emissions reductions by sector. The emissions reductions by sector are straight line reductions that have been aligned to the total Provisional Emissions Budget and Nationally Determined Contribution targets of 2030 and 2050.
- The overall impact is not the difference between the PEB and projected emissions as some emissions reductions will be driven by other factors (i.e. new technologies and other policy measures) that are not represented in the projections.
- Estimated impacts of each sector have been determined by expert judgement, and are subject to a high level of subjectivity and inherent margins of error.
- The total has been disclosed including and excluding agriculture emissions as decisions on how agriculture emissions will be priced have not yet been made.

Section 4: Quality assurance

Quality assurance

The Ministry for the Environment confirms that the CIPA requirements do apply to this proposal. The proposal will influence behaviour and lead to business and consumer decisions to reduce emissions and increase sequestration through forestry. The proposal will play a major part in reducing our emissions but will need to be coupled with complementary measures to enable us to meet emission's budgets.

The difference between the PEB and current projections represents the emissions reductions that we aim to achieve from this proposal. However the impact of this proposal is a subset of these emissions reductions as a portion of the reductions will be driven by other factors (i.e. new technologies and other policy measures) that are not represented in the projections. The CIPA disclosure form provides the emissions reductions difference between the PEB and projections as well as estimates of the direct impact of the proposal.
