

Response to New Zealand ETS Review 1015-16

Submission from:

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Participant Holding Account

Section 2 Context and drivers of the review

Question 1. Yes

2. While not strictly the emphasis of this review the government should consider not only New Zealand's global contribution but the ecological and environmental benefits of a **robust** ETS.

The value of the units will be paramount to the time taken for our country to restore credibility to an economically vital image.

Section 3

Priority issues

Moving to full surrender obligations

Questions:

3. Yes

4.
 - a) Providing full surrender price (in excess of \$25) is passed on consideration could be given to retiring more land to forestry. (When the price was \$20 the response was to retire marginal land and plant trees).

 - b) Full responsibility should be shouldered by all equally for the intended outcome.

5.
 - a) 2016 (could also be politically expedient)

See our comment to question 2 section 2

6. **Managing the costs of moving to full surrender obligations.**

Yes

This may be simplistic but perhaps the increased obligations could be administered in the same way as GST.
This would be manageable, allow for regular fluctuations / price shocks and give improved surrender accuracy. **It would also give transparency.**
Instead of, as in the past, allowing the purchasing at unethical low prices, then claiming at \$25, thereby being encouraged to emit more carbon.

Receipts would show the surrender portion,
ie. fuel a higher carbon content cost and water or electricity very little.
This would eventually, at a realistic carbon price encourage behaviour change by both emitters and unit holders.

Government may need to mitigate for exporters.

- 7.
- a) This option will, at least encourage the forestry sector.
 - b) With the carbon price under \$20 carbon sequestration will become totally uneconomic.
As costs have risen and will continue to rise with increased demand for trees, planters and land, a \$25 cap price per unit will become a marginal incentive.
 - c) If the base price is graduated from \$15 or over to 2020 there will be minimal forestry uptake but that would increase as prices rise to international levels as outlined towards IPCC predictions (page 9
At anything under \$25 units could continue to be banked.
8. The sooner New Zealand moves towards the IPCC estimates the easier it will be to mitigate future inevitable shocks and encourage a change of behaviour which will result in a meaningful ETS.
- It should be remembered the GST shock was far greater than the proposed ETS scenarios.

See also the Dominion Post United Nations article February 10th
2016 page B1

Thank you for your consideration.

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