

## 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.

See the following two technical notes for information on specific issues relating to forestry and on operational matters that could be improved. Submissions on these matters close at 5pm on 30 April 2016.

- [Operational matters technical note](#)
- [Forestry technical note](#)

The following three technical notes were made available to support submissions on the NZ ETS review's priority issues. Submissions on priority issues are now closed.

- [The New Zealand Emissions Trading Scheme evaluation report 2016](#)
- [Economic impacts of removing NZ ETS transitional measures](#)
- [Afforestation responses to carbon price changes and market certainties.](#)

### Closing dates for submissions

- Submissions on priority issues closed at 5pm on 19 February 2016
- Submissions on other review matters close at 5pm on 30 April 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](http://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](mailto: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

## Discussion Document

### Context and drivers for the review

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

Yes

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

**Restore the schemes integrity and reduce complexity.**

**Moving to full surrender obligations – submissions on these priority issues closed on 19 February 2016.**

**Managing the costs of moving to full surrender obligations– submissions on these priority issues closed on 19 February 2016.**

### Other issues: business responses to the NZ ETS

9. Do you consider the future cost of emissions in your business planning?

Yes

If yes, how do you do this?

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10. What would improve your ability to take into account the future cost of emissions in your business planning?

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### Other issues: protecting competitiveness through free allocation

11. Under what conditions should free allocation rates start to be reduced after 2020?

**a s a p A world carbon price would make free allocation unnecessary.**

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12. What impact would it have on your investment decisions over the next few years if there was a clear pathway or criteria for phasing out of free allocation after 2020?

**As a forester this would give some credibility to an ETS that has been wrecked by expedient decisions made by politicians.**

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### Other issues: managing unit supply - forestry

13. How does the carbon price impact your forestry investment decision-making?

In your answer, we are interested in the:

- a) extent to which the NZU price impacts decisions, compared to other factors
- b) impacts of the current price, and of your expectations for future prices.

**NZU price is the dominant factor for us as we want to phase out of livestock farming completely. Environmental factors are important too but can't be achieved without an increased carbon price.**

**The current NZU price impacts our ability to pay the cost (fencing, planting, covenants) to put land into either ETS or PFSI when there is a very low carbon price. Expectations of future price affect income.**

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14. Are there opportunities for the NZ ETS to increase incentives for forestry investments, outside of NZU price?

Yes

15. What are your reasons for the above answer? If you answered yes, we would be interested in comments on:

- a) any barriers to participating in the NZ ETS that could be reduced
- b) other factors.
  - a) **Averaging (voluntary) would be useful for single age forest owners.**
  - b) **It would be useful to work with regional councils and farming groups to use the ETS or PFSI as a segue to improve water quality. More information is needed about how to maximise carbon returns from riparian strips and remote or inaccessible land e.g. mixed planting of Alder and native or eucalypt and native.**

Other issues: managing unit supply – international units

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16. If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?

- a) restrictions on where units can be sourced from (location of and/or types of projects)

**Yes**

- b) restrictions on how many units can be surrendered

**Yes**

- c) others

Please explain your answer.

**International units have had such a damaging effect that they should not be used until we have a fully functioning NZ ETS.**

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## Other issues: managing unit supply – auctioning

17. Should auctioning be introduced in the NZ ETS?

No

Please explain your answer.

**It would be seen as market manipulation especially by small forest owners and farmers.**

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19. How should auctioned NZUs relate to other sources of unit supply in the NZ ETS, especially NZUs generated through forestry removals and/or international units?

**If government only could buy international units to auction there would be less volatility in the market.**

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## Other issues: managing price stability

20. What impact has carbon price volatility in the NZ ETS had on your business?

c) **Significant.**

Please explain your answer.

**It stalled our progress of converting all our farmed land (400ha) into carbon forest, and we will be reluctant to continue until the price has been stable for some time.**

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21. Do you think measures should be in place to manage price stability?

Unsure

Please explain your answer

**Price stability will follow credibility.**

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22. What do you consider are important factors for managing price stability?

a) upper price limits (eg, fixed price option, or a price ceiling implemented through an auctioning mechanism)

b) lower price limits (eg, price floor)

c) other

Please explain your answer

## **Both must be credible**

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23. What should the Government consider when managing price stability?

**Integrity – don't manipulate the price for political expedience.**

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24. Are you aware of ways the administrative efficiency of the NZ ETS could be improved?

Yes

25. Can you provide further information to support your answer?

We would be interested in comments on:

a) complexities involved in NZ ETS participation

b) penalties for breaching NZ ETS obligations

c) any technical or operational changes that could be made to the NZ ETS to improve efficiency.

a) **It has taken me many years to attain a working knowledge of the ETS, don't make it any more complex when making changes. Mapping with seemingly arbitrary decisions are frustrating and expensive to overturn e.g. a block clearly planted at the same time deemed to be different ages because altitude had suppressed growth on the upper quarter.**

b) **Penalties for breaching ETS obligations are onerous, most farmers and small foresters are not experts. Most breaches will be stuff ups not deliberate.**

c) **Extend the return period for claiming credits.**

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## **Other issues: addressing barriers to the uptake of low emissions technologies**

26. Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?

**It was a market failure that allowed power companies to pass on the \$25 cap price of NZU's when the true cost of credits was a fraction of that**

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27. If so, is there a role for the Government in addressing these barriers or market failures and how should it do this?

**Regulate for disclosure.**

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

28. Please comment here

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[NB: Separate consultation form]

## NZ ETS review: Forestry technical note

The following questions relate to information presented in the Forestry technical note.

### Existing structural design settings

F1. What do you consider are the strengths and weaknesses of the NZ ETS forestry settings?

**The great strength of the NZ ETS is that it puts a monetary value on standing trees.**

**One weakness is the lack of recognition for pre 1990 natural forests.**

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F2. Do the NZ ETS forestry settings discourage deforestation? If not, what settings do you think would?

Unsure

Please explain your answer

**It only discourages deforestation if you become a participant.**

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F3. Do the NZ ETS settings incentivise afforestation and replanting? If not what settings do you think would?

**Yes & No**

Please explain your answer

**They incentivise replanting but not afforestation, too many credits to surrender at harvest and complex rules are a turn off for most farmers, even Farm forestry association members.**

**Make it as user friendly as you can.**

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F4. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would?

No

Please explain your answer

**Averaging will help, also working with regional councils to retire environmentally sensitive land; water courses and erosion prone land maybe into a simplified pfsi to produce a premium unit.**

**More information about alternatives to radiata, modelling for Poplar, Alder and eucalyptus as nurse crops for native.**

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F5. Does the NZ ETS work well alongside other forestry programmes? If not, how do you think these programmes could be better aligned?

No

Please explain your answer

**There is poor integration with PFSI systems and not much for the land owner in the AGS after surrender obligations at harvest and tax.**

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F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme?

**Our land reverts rapidly to native after radiata harvest so the ability to move from ETS to PFSI without surrender of NZU's would be good. The carbon stored hasn't changed so why should we have to forfeit units.**

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## Future forestry accounting in the NZ ETS

F7. What are important factors when considering changes to forestry accounting settings in the NZ ETS?

**Making the system more user friendly.**

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F8. Do you think a different forestry accounting approach in the NZ ETS would change the scheme's incentives for afforestation?

Yes

## Averaging

F9. Do you think averaging should be introduced for post-1989 forests? If so, why?

Yes

Please explain your answer

**Surrender at harvest is what most farmers object to.**

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Do you think it should be optional or mandatory?

**Optional**

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F10. Should there be limits on the types of forests that can use an averaging accounting method? For example, new forests only or forests under a size threshold.

No

Please explain your answer

**These would just add more complexity.**

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F11. How might averaging impact on your business decisions?

**Not very much, price is more important.**

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## Harvested Wood Products

F12. Do you think deferred liability for emissions from Harvested Wood Products (HWPs) should be recognised domestically? If so, how?

Unsure

Please explain your answer

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F13. How might the options for deferred liability for emissions from HWPs impact on your business decisions?

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## Other

F14. Do you have any other comments or things you think are important?

**Restoring the integrity of the ETS is going to be a major challenge, I'm still asked by farmers we meet if it's still going and has anyone ever made a dollar out of it?**

**Your greatest asset is 0800Climate, option 3. We entered the ETS in 2009 and the people one the end of the phone have been unfailingly helpful, patient and resourceful, the guys at Wanganui office are an equally great asset too.**

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**[NB: Separate consultation form**

NZ ETS review: Operational matters technical note

The following questions relate to information presented in the Operational Matters Technical Note, which can be found here.

## Encouraging compliance with NZ ETS requirements

OM1. Do you encounter challenges when completing New Zealand Emissions Trading Scheme (NZ ETS) requirements, such as meeting your emissions reporting or surrender requirements?

Yes

What are these?

**The MPI website is Terrible!**

**The reporting time is a bit short.**

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What would overcome these challenges?

**Forestry needs to be an option on the first page or better still start again and redesign the whole website!**

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OM2. What is your opinion of the tools available to regulators to correct errors and address non-compliance?

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What would help improve these tools?

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OM3. Are there options, not already included here, for improving compliance with emissions reporting and surrenders?

Yes

No

Unsure

What are they?

**Lengthen the reporting time.**

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### Disclosure of NZ ETS information

OM4. Does the current level of information available allow you to make informed decisions about your participation in the NZ ETS?

Yes

No

Unsure

If not, please give examples of information you think would be useful, and how it would help you.

**Except when politicians change the rules without warning to disallow re-registration arbitrage.**

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OM5. Are there any additional forms of information that would assist with your understanding of, or participation in, the market?

**More information about alternatives to radiata especially for remote and inaccessible or erosion prone land.**

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## The public's limited access to information about the NZ ETS status of land

OM12. What information on land status under the NZ ETS would be useful for your decision making?

**Who registered the land and what obligations or penalties are pending.**

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OM13. Have you faced any problems in classifying forest land under the NZ ETS or in accessing information on forest land's NZ ETS status?

No

Please explain your answer?

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OM 14. Do you think the Government should provide information on the NZ ETS status of land that is not already subject to the NZ ETS?

Unsure

If so, how would this help you?

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## When your submission is complete

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

**Submissions on priority issues closed at 5pm on 19 February 2016**

**Submissions on other review matters close at 5pm on 30 April 2016.**