

# New Zealand ETS review 2015/16 consultation

Copy of your submission



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

Answer 1: Yes

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

Answer 2:

Perhaps consider adding in further consideration for co-benefits. The ETS, if strengthened, would affect more than just GHG's but also could have positive impacts on areas such as freshwater quality, biodiversity, ecosystem services, public health, tourism etc. Accounting for these co-benefits, and the opposite (any further negative impacts) would provide a more accurate and integrated picture.

Also I don't see anything about inter-generational equity in the drivers and this should be definitely considered.

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

Answer 3: Yes

3A. Please explain your answer:

This will increase incentives to reduce GHG emissions and increase the effective carbon price resulting in a decrease amount of banked NZU's (which is a massive liability).

Also from a philosophical point of view, I am opposed to subsidising firms that can't support themselves in the long term - apart from exceptional circumstances such as firms that are strategic assets for us (like Air NZ)

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

Answer 4:

I am approaching this question as a member of the public and whilst I have no business interests I am aware that the increased GHG prices would have a financial effect on me and my household.

Using the data in appendix 2 of the discussion document the maximum increase in costs under the highest scenario of a \$50 effective carbon price is \$376. This equates to roughly 0.5% of the median household income and a cost of approximately \$7 a week (less than a block of cheese!). I feel like this is a small price to pay relative to the benefits. Also perhaps some wrap around policies to support lower income households re these costs could be put in place, such as petrol stamps for those with no other transport options. Perhaps it might incentivise some households to reduce their footprint too.

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

Answer 5: b) 2017

Outline the reasons for your answer, and include any comments on the pros and cons of applying an increased surrender obligation to a partial or a full NZ ETS reporting a year.

I think a year is a reasonable time for ETS participants to make the necessary changes to their businesses. This would also give the NZU market some time to reach a more stable point than if this was implemented earlier.

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

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Answer 6: Yes

6A. Please explain your answer:

I think there should be both a ceiling and a floor price to give certainty to market participants.

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

Answer 7:

7A. Please explain your answer:

Ceiling and floor price. Gradually move from \$25 and \$0 respectively to something like \$50 and \$15. Need to give a certain level of certainty to buyers and sellers whilst still having a degree of market flexibility. Have a transition timeframe such as the review panel suggested. Include a clause whereby if a large proportion of GHG liabilities are being paid for at the ceiling price (say >40%) the ceiling price will increase by a certain proportion (say 10%) for the next period. Have information on this publicly available so that people can know if we are getting close to triggering the clause so investments decisions can be made accordingly.

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

Answer 8:

Should gradually increase to say \$50 with a transition timeframe such as the review panel suggested. But if you are going to have a ceiling price you should also have a floor price of say \$15. This will give certainty to buyers and sellers whilst still having a degree of market flexibility.

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

Answer 9:

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

Answer 10:

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

Answer 11:

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?

Answer 12:

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

Answer 13:

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

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Answer 14:

15. What are your reasons for the above answer?

Answer 15:

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

Answer 16:

16A. Please explain your answer:

17. Should auctioning be introduced in the NZ ETS?

Answer 17:

17A. Please explain your answer:

18. What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?

Answer 18:

18A. Please explain your answer:

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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?

Answer 19:

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

Answer 20:

20A. Please explain your answer:

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

Answer 21:

21A. Please explain your answer:

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

Answer 22:

22A. Please explain your answer:

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

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Answer 23:

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

Answer 24:

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

Answer 25:

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

Answer 26:

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

Answer 27:

28. Please comment here

Answer 28:

Name

Organisation (if applicable)

Address

Telephone

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