

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:

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

Answer 9: Yes

9A. How do you do this?

We purchased property more suitable for forestry than our current farm. One that did not have an extensive history of development, with good levels of fertility and fencing.

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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:

Having a more stable platform for ETS with rules that are not regularly adjusted. For example we purchased land in the early days that was deemed suitable for forestry planting for the ETS, however as the rules developed some of that land may no longer be suitable. While ongoing reviews may allow the ETS to be adjusted to make it more fit for purpose, it also creates uncertainty about what future changes might be. This creates a perceived risk and makes long term commitments less attractive.

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

Answer 11:

If the industries that are trade exposed face, were to face similar costs in the markets of our trading partners.

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:

I do not believe it is sensible to plant forestry if there is not reasonable economic reasons to plant for forestry products.

Carbon might be an additional fillip to the price, but as a political market, it is high risk to plant with that as the main driver.

In our case we are primarily involved in pastoral agriculture and see forestry as a possibility to be carbon neutral if there were signals from the marketplace for our products that would reward us.

We also plant extensively for soil conservation purposes and manage those trees with an eye for the development

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in NZ of a market for timber other than pins radiata.

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

Answer 14: No

15. What are your reasons for the above answer?

Answer 15:

There are existing other programs such as the Afforestation Grant Scheme which encourage planting on marginal land.

If the ETS is manipulated to try and create more incentives it will also increase the uncertainty about what might change in the future.

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: c) other

16A. Please explain your answer:

NZ generally holds to the principle of free trade, so placing restrictions is a bit hypocritical. However, if there were restrictions so that offshore units had similar scrutiny to NZU that would seem to be a reasonable stance.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: No

17A. Please explain your answer:

It would only introduce yet another variable in an already highly uncertain marketplace. Quite possibly making participation in the ETS appear even riskier and therefore less attractive to participate in.

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: I'm not supportive of auctioning NZUs.

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

Answer 20: a) minor

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20A. Please explain your answer:

The ETS has increased energy costs. It certainly appears that the price volatility has mostly provided a windfall for energy suppliers.

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

Answer 21: Unsure

21A. Please explain your answer:

If the Government is going to manage the price of carbon then that means that the ETS is not really a market.

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?

Answer 23: They should be aware that

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

Answer 24: Yes

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

Answer 25:

Voluntary inventories can only be submitted at certain times of year. It would help if they could be submitted at any time that was convenient for the participant and they had time to focus on it. They may only be processed at a specific time of year, but I see not reason why they should not be submitted when convenient.

This may have been corrected but in the past the Government requirements for computer interfaces meant that the mapping system was ineffective. It could only display a small window and on a large property it was not possible to identify a small area of planting as the boundaries were lost when zooming in. That meant having to submit a shapefile, which introduced another level of complexity which early on created problems, ie. rather than identifying which built in transformation to use in ArcView (a widely used GIS system) there were only instructions on the mathematics of the transformation. That was unhelpful.

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

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Ministry for the
Environment
Manatū Mo Te Taiao

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Answer 28:

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