



19 February 2016

NZ ETS Review Consultation
Ministry for the Environment
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New Zealand Emissions Trading Scheme Review 2015/16

The Employers and Manufacturers Association (Northern) (EMA) is pleased to have the opportunity to provide a submission to the Ministry for the Environment on its consultation document entitled 'New Zealand Emissions Trading Scheme: Review 2015/16', dated 24 November 2015.

EMA supports the submission from BusinessNZ, but wishes to make some of its own observations on this important policy issue.

EMA welcomes the effort evident in the consultation paper released by the Ministry for the Environment. The review is timely, given the Paris Agreement, and the commitments made by the government at that meeting.

We recognise the decisions that lie ahead need to strike a fine balance – we cannot impose too much additional cost and we need to ensure the international competitiveness of our business sector – but we also need to recognise that business has a key role to ensure the success of any future commitment. This will be a difficult balance to achieve, but business is prepared to do its share of the heavy lifting to achieve the right outcome.

But the EMA considers it is also important that our domestic action is aligned and calibrated to the action that takes place internationally.

This framing leads us to view the detail of the consultation paper as largely focused on tactical, design changes aimed at delivering short term, price-focused outcomes, the impact of which will be uncertain for business, especially if taken out of step with our trade competitors.

Instead, we believe what is required is a more strategic approach to:

- a) Set the NZETS in a broader context of the full range of climate change policies aimed at helping New Zealand meet its international emission reduction commitments. This will ensure clarity around what contribution is expected of an ETS in the overall transition to a low greenhouse gas economy.
- b) Ensure that the specific NZETS design changes actually do contribute to the goals of helping New Zealand meet its international emission reduction commitments, and a transition to a low greenhouse gas economy; and
- c) Set the specific NZETS design changes into the context of the desired end-point for the overall design of the NZETS in order to ensure that the tactical changes are consistent with that direction.

To this end, EMA does not support the removal of the 1:2 surrender obligation, nor any of the other potential changes. They amount to tinkering and could lead to undesirable economic outcomes, especially at this time of global economic fragility.

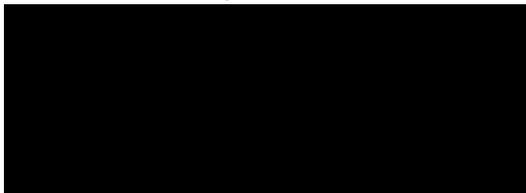
Instead, we would urge government to engage in a deeper dialogue with business in order to achieve these three points above.

The objective of the dialogue would be to develop a clear medium to long term pathway appropriate to the New Zealand economy, environment and business conditions. That pathway can be progressively more ambitious if the international environment warrants it.

This will give all stakeholders greater certainty that we are moving in step with the international community, rather than striking out on our own. This will help to underpin a more vibrant domestic economy - one that supports business investment and employment, while transitioning to a low greenhouse gas economy.

We would welcome being a part of this dialogue.

Yours sincerely



Kim Campbell
CHIEF EXECUTIVE

Employers and Manufacturers Association (Northern)