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SUBMISSION

To:

**NZ ETS Review Consultation,
Ministry for the Environment,
PO Box 10362,
Wellington 6143**

By email: nzetsreview@mfe.govt.nz

29 April 2016

Submission on the New Zealand Emissions Trading Scheme Review 2015/16

About Ernslaw One

Ernslaw One Ltd is a New Zealand registered company headquartered in Auckland, with regional offices in Gisborne, Bulls and Tapanui (West Otago), and with significant forests operations on the Coromandel, the East Coast, in the Southern North Island, Marlborough, Naseby, West Otago and in Western Southland.

Ernslaw One Ltd is one of the very few entities currently undertaking the afforestation of bare land in NZ, actively selling NZUs from post-1989 forests in the NZ carbon markets (the NZ ETS), as well as growing and harvesting plantation forest for log supply both into export and domestic markets, and through its subsidiary Winstone Pulp International operating a mechanical pulp mill (an energy intensive and trade exposed entity, itself exposed to the price of NZUs through the NZ electricity market) and one sawmill.

Between 1995 and 2000, Ernslaw One planted **16,300** net stocked hectares of Pinus radiata forest in the North Island, and **11,000** net stocked hectares of Douglas-fir forest in the South Island, making our company one of the largest single owners of post-1989 forest in New Zealand.

Our mid-to-late-1990's plantings trees sequestered in the order of 3 million tonnes of CO₂ over Kyoto's First Commitment Period (2008-2012).

Our Commitment

Ernslaw One supports the commitment made by NZ in signing the UN Paris Agreement. We recognise that NZ's 2020 to 2030 emission reduction commitment is contingent on afforestation. We are responsive to price signals in the NZ ETS, having planted in combination with our sister company Timbergrow Ltd, over 5,300 hectares of hill country in Marlborough since 2011 in response to the carbon prices that prevailed in 2010 through 2011. With appropriate settings in the NZ ETS we will continue with further afforestation projects.

Ernslaw One supports the NZ Forest Owners' submissions and the Wood Council of NZ submission

Ernslaw One contributed to the submission made by the NZ Forest Owners Association (NZ FOA) on the Forestry Technical Matters, dated April 2016, and endorses that submission its entirety.

Ernslaw One contributed to the submission made by the Wood Council of NZ (WoodCo) on Harvested Wood Products, submission dated April 2016, and endorses that submission its entirety.

We will avoid duplication of the substantive matters raised by NZFOA and WoodCo.

We wish to amplify the following key points:

- **Deferring of emissions liability at Harvest in Post-1989 Forests**
Ernslaw supports the NZFOA proposition to have the UN's internationally agreed Harvested Wood Products Rule carried into NZ's domestic ETS.
- **Price floors and caps**
Ernslaw sees merit in Government setting up an independent agency or commission to manage Carbon prices within a defined band. We believe that a realistic price floor would be NZ\$15 per tonne and a price ceiling (cap) to be NZ\$50 per tonne. This proposal would be akin to the Reserve Banks mandate to manage inflation within a given band, with the floor and ceiling prices adjusted from time to time to drive emissions reductions or to incentivise removals via afforestation in order to meet NZ's international emissions reduction commitments.
- **Auctioning**
Ernslaw seeks clarity on the price point at which the NZ government proposes to intervene in NZ's carbon market to increase the supply of NZUs via auctioning, as the current uncertainty is a constraint on

investment in further large scale afforestation projects. We support the proposition of the government improving liquidity in the NZ market on condition that this intervention will only occur when the carbon price reaches the price cap (ceiling) because of insufficient supply of NZUs.

- **the Fast Forest Fix**

Ernslaw seeks that NZ ETS continues to embody the Kyoto Protocol's Afforestation – Reforestation Debit-Credit Rule (i.e. the ARDC or so called “Fast (growing) Forest Fix”).

Thank you for the opportunity to make this submission



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