

# 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?

By being aware of our distance from our nearest town and the rising cost of fuel. In anticipation of being included as an emitter in the ETS, we are accumulating carbon credits on the part of our property that we have considered marginal.

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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?

Answer 14: Yes

15. What are your reasons for the above answer?

Answer 15:

We own a small block of land (47 hectares). 30 hectares of this is part of the Mangarakau swamp in Golden Bay including a buffer area of manuka and regenerating native bush. This area has a QE2 covenant protecting it. We have also declared this area as a carbon farm under the ETS and collect NZU's off it each year.

Under the ETS as it stands, farmers and landowners with 'marginal land' for agriculture have been able to declare an area as a 'carbon farm' and decide whether to plant the area in exotic forest and collect the NZU's as the forest grows, or allow or encourage the area to revert to indigenous forest and collect the NZU's over time. Both these options are ideal from an environmental perspective when the land concerned is prone to erosion or is

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environmentally significant as in the case of wetlands and surrounding buffer areas or areas containing threatened native species.

With indigenous forest, the tons of carbon allocated as calculated from the 'look up tables' for forestry in the Emissions Trading Scheme, increases to a maximum of 12.8 tons per hectare per year over the first 18 years and then slowly decreases so by year 50, only 1.1 ton per hectare per year is allocated. For those expecting to get even a very modest return on the land they are protecting by letting it revert to indigenous forest, the ETS as it stands makes this land more of a liability than an asset, especially when trying to sell it. It certainly is not an incentive for farmers to see the ETS as a means of getting even a small return on land that is part of their farm but marginal for normal farming practices. For those with land that started to revert just after 1989 and joined the ETS with 18 year old forest, this forest is now half way to earning practically nothing and looking more and more like a liability.

To be attractive to farmers, those selling land, and to those intending to purchase land, a viable, reliable and permanent number of NZU's need to be allocated to each hectare of forested land each year.

In the event of a fire, as long as the whole area is replanted or allowed to revert back to indigenous forest, there shouldn't be the requirement to repay all NZU's allocated to that area.

In the case of indigenous forest, we currently have pre 1989 forest in the ETS, post 1989 forest in the ETS and the Permanent Forest Sink Initiative. Wouldn't it be possible to have an ETS that was applicable to all three so that farmers with areas of varying aged scrub, mature native forest and possibly planted exotic forest could see the ETS as another tool to maximize the return off their farm as a whole.

It would at least give those involved, the means to cover any deficit if or when agriculture is included in the ETS.

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?

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Answer 20: c) significant

20A. Please explain your answer:

We are a very small concern and were relying on a return from the carbon credits as one of our income streams.

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

Answer 21: Unsure

21A. Please explain your answer:

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

Answer 22: b) lower price limits (eg, price floor)

22A. Please explain your answer:

Too lower price prevents any investment in low carbon emissions by individuals and companies

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

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:

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