



29 April 2016

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

Submission: NZ ETS Review 2015/2016 Consultation: Other Issues

Attached is the submission from Gull New Zealand Limited on the other issues being considered in the New Zealand Emissions Trading Scheme Review 2015/16.

For any queries relating to this submission, please use the contact details below.

Contact information

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Submission Form

Other issues: business responses to the NZ ETS

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

Yes- Gull New Zealand Limited ("Gull"), considers the future cost of emissions in our annual forecasting and budgeting, as well as when managing our ETS obligations.

The assumptions that we make regarding ETS costs are also reflected in fuel supply contracts which cannot be immediately changed following unfavourable price movements.

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

Certainty surrounding ETS policies; and a suitable notice period for any changes to the framework (e.g. removal of transitional measures and access to international markets).

Other issues: protecting competitiveness through free allocation

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

N/A

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?

Whilst phasing out free allocation would not directly impact the Gull business, a clear pathway or criteria may provide more certainty and therefore less volatility around NZU pricing which would be favourable to our customers.

Other issues: managing unit supply -forestry

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

In your answer, we are interested in the:

- a) extent to which the NZU price impacts decisions, compared to other factors
- b) impacts of the current price, and of your expectations for future prices.

N/A

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

N/A

15. What are your reasons for the above answer? If you answered yes, we would be interested in comments on:
- a) any barriers to participating in the NZ ETS that could be reduced
 - b) other factors.

N/A

Other issues: managing unit supply- international units

16. If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?
- a) restrictions on where units can be sourced from (location of and/or types of projects)
Yes- Gull believes that in order to maintain the integrity of the NZ ETS, restrictions should be placed on where units can be sourced from to ensure that only 'credible' units are surrendered.
 - b) restrictions on how many units can be surrendered
Gull sees no reason to restrict the number of units that can be sourced offshore to meet local carbon emissions obligations.

Other issues: managing unit supply - auctioning

17. Should auctioning be introduced in the NZ ETS?

Yes- auctioning should be introduced in the NZ ETS to improve the certainty of unit supply and ensure that there are NZU sources outside of the forestry sector and banked units.

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

- a) to align supply in the NZ ETS more closely with our international target
- b) to more actively manage NZU prices
- c) other

Please explain your answer.

Auctioning in the NZ ETS would provide more certainty of supply and could assist in managing NZU price levels.

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?

Auctioning should be used in conjunction with these other sources.

Other issues: managing price stability

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

a) minor

The impact to Gull is primarily administrative: additional time and resources in hedging our carbon pricing risk.

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

Yes- Gull has the ability to pass through ETS costs to customers. A volatile ETS market leading to any sudden price increases negatively impacts the consumer and therefore Gull would like price stability to be managed.

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

a) upper price limits (eg, fixed price option, or a price ceiling implemented through an auctioning mechanism)

b) lower price limits (eg, price floor)

c) other

Gull believes that the fixed price option should be maintained and reviewed regularly by the Government and set according to what is affordable to NZ households. A price floor could also be a useful tool to ensure that a suitable price is placed upon carbon to encourage emissions reduction behaviour.

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

Policies and clear pathways that provide certainty to NZ businesses.

What impact any changes will have on New Zealand households.

Other issues: operational and technical matters

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

More certainty on the ETS framework: particularly around transitional measures; auctioning; and links to international markets.

Regular (six monthly/annual) information/feedback sessions could be held to provide participants with any updates and invite feedback on the scheme.

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

We would be interested in comments on:

a) complexities involved in NZ ETS participation

b) penalties for breaching NZ ETS obligations

c) any technical or operational changes that could be made to the NZ ETS to improve efficiency.

N/A

Other issues: addressing barriers to the uptake of low emissions technologies

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

Gull is New Zealand's first biofuels and biodiesel retailer and has sold over 30 million litres of biofuels to Kiwi's across the country. This has delivered the equivalent of an emission reduction of over 70,000 tonnes of carbon. It is important to Gull that an ETS exemption continues to apply to biofuels.

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

N/A

Any other comments related to issues set out in the discussion document

28. Please comment here

N/A

When your submission is complete

Email your completed submission to nzetsreview@mfe.govt.nz or post to NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

Submissions on priority issues closed at Spm on 19 February 2016

Submissions on other review matters close at Spm on 30 April 2016.