

New Zealand ETS review 2015/16 consultation

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1. Do you agree with the drivers for the review?

Answer 1: Unsure

2. What other factors should the Government be considering in this NZ ETS review?

Answer 2:

The NZ ETS regime has changed repeatedly, undermining confidence from the forestry sector. The initial concept was good, but was undermined first by allowing international cheap units, and then banning the units. The net effect has been a substantial reduction rather than an increase in the value of the units over time. This loss of confidence greatly reduces the incentive to invest in a area with such slow, long-term returns.

The key factors that should be considered are:

1. to maintain consistent policy for the life cycle of forestry plantations, ~ 25 years in most cases.
2. to increase the value of ETS units in accord with international recommendations upto 200\$/tonne, at least. It is very reasonable to do this progressively, but it absolutely essential to achieve this level should be achieved by 2025.

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

Answer 9: No

9A. Please explain your answer:

My business is to grow trees. They do not produce emissions. However, yes, we took the lack of value of the ETS units and the inconsistency of policy into account when we decided not to extend the planting of our forest in Kaipara some years ago.

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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:

A commitment to increase the value of ETS units by >10% per year to a realistic level of 200\$/tonne.

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

Answer 11:

There should be no free allocation from today. This sabotages the point of ETS units.

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: It would enhance my confidence to invest in extending our forest.

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

Answer 13:

A higher price, and expectations for a progressive rise in price, strongly encourages us to maintain and extend our

forest.

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

Answer 14: Unsure

15. What are your reasons for the above answer?

Answer 15:

The whole ETS market is very confusing. For small player (us) it is not clear how to sell them.

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:

- a) restrictions on where units can be sourced from (location of and/or types of projects)
- b) restrictions on how many units can be surrendered
- c) other

16A. Please explain your answer:

International units destroyed the value of original ETS units and lead directly arbitrage by large forest owners. It is absolute essential that this mistake is not repeated. If there is any chance that this debacle will happen again, we will no replant or extend our current plantings.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: Unsure

17A. Please explain your answer:

The whole market place and whether auctions would be of value is extremely unclear.

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

Answer 18: b) to more actively manage NZU prices

18A. Please explain your answer:

Ultimately the purpose of ETS is to ensure that the price of carbon matches external costs. At present it is running at about 1% of the value of externalities. It is essential that the price should progressively increase so that it matches or exceeds those external costs. This would naturally have a positive incentive for forestry, which is a major carbon sink.

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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: Unsure sorry.

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

Answer 20: c) significant

20A. Please explain your answer:

Because of the volatility and lack of support from the NZ government, we chose not to extend our forest planting when we could have, approximately a decade ago. The continued low value of ETS units has convinced us that we could not rely on this.

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

Answer 21: Yes

21A. Please explain your answer:

To ensure a progressive increase to 200\$/tonne, without volatility or more important, large falls.

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:

The current management of ETS units has ensure that the value of the units is trivial. Large players were able to engage in arbitrage. This was of no value either internationally or to encourage reduced carbon emissions or to support forestry growth.

The floor should be progressively increased to at least 200\$/tonne.

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

Answer 23: Our international commitment to reduce carbon emissions.

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

Answer 24: No

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:

The lack of a carbon tax. The very low price of NZ ETS units. The risk of exposure to worthless international ETS units.

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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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