

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:

3. Should the NZ ETS move to a full surrender obligation for the liquid fossil fuels, industrial processes, stationary energy and waste sectors?

Answer 3: Yes

3A. Please explain your answer:

The previous transitional arrangements devalued our units. This mean for us that the NZ ETS was not

4. What impact will moving to full surrender obligations have on you or your business?

Answer 4:

Unequivocally positive. It would provide a material incentive, 1. to replant when our forest is harvested, 2. to extend planting to unplanted areas of land on our property.

5. If full surrender obligations are applied, when should this be implemented?

Answer 5: a) 2016

Outline the reasons for your answer, and include any comments on the pros and cons of applying an increased surrender obligation to a partial or a full NZ ETS reporting a year.

1. for us: The current transitional arrangements had a material negative impact as we lost an incentive that we had planned on at the time of planting.

2. for new zealand. The NT ETS is our shared method of increasing the price of carbon. At present there is such a large bank of unused units that it does not provide any incentive to reduce carbon use.

6. If the NZ ETS moves to full surrender obligations, should potential price shocks be managed?

Answer 6: Yes

6A. Please explain your answer:

the overall goal of the ETS of reducing carbon use is clearly best met by a managed, highly predictable increase in the price of carbon. There is no point in the current system. It complicates our decisions, and yet provides no benefit.

7. If potential price shocks associated with moving to full surrender obligations should be managed, how should this be done?

Answer 7:

7A. Please explain your answer:

progressively increase the fixed price from 25\$ by say 10% per year, every year. This is a manageable, easily predicted increase.

8. If the \$25 fixed price surrender option value should change, what should it change to and why?

Answer 8:

It should increase over time to a level where the effective carbon price is at least 150 to 200\$/tonne. This is a level consistently recommended by respected economists. Actual carbon taxes e.g. in British Columbia, have been currently set at 30\$/tonne. However, it is well understood, as outlined in the review document that these will need to increase to the equivalent of over 150\$/tonne to enable us to meet our future goals. At the present level the ETS is clearly not affecting decisions on carbon use. In particular, it is having no significant effect to reduce transport related decisions.

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

Answer 9: Yes

9A. How do you do this? Deciding whether or not to extend our forestry planting as below.

page 2

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

Answer 10:

We strongly believe that a frank carbon tax would be must easier to understand and manage. If the ETS is to continue, then a progressive known increase in the price of units is essential as the second best option.

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

Answer 11: Not an issue for us.

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: No effect.

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

Answer 13:

Our primary decision is based on our estimate of future log prices. However, the observation that the ETS was mismanaged, such that our units were devalued to nothing, caused us to cancel plans to continue with new planting. A strong, believable commitment to a stable increase in unit prices would strongly encourage us to plant more.

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: an incentive to plant is an incentive, no matter how it is delivered, of course!

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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:

We would prefer in principle that no international units were allowed at all, after our previous experience that international units devalued ours massively.

More generally, New Zealand's commitment should be manifest at home. we want that NZ is a good global citizen and reduces our actual carbon emissions. it makes no sense to pay others to do this.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: Yes

when b) within five years (before 2020)

17A. Please explain your answer: an easily understood, open method of monetizing units. What is not to like?

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:

page 3

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?

Answer 20: c) significant

20A. Please explain your answer: Because of the loss of value of ETS we cancelled plans for new planting.

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

Answer 21: Yes

21A. Please explain your answer: We want a progressive, predictable increase.

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

Answer 22:

22A. Please explain your answer:

the price should be a minimum price, so that there is real value in growing ETS's./

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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: 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 major limitation of the NZ ETS is that the price is unstable, and very very low. Further, it is rather complex and even if it functions, it is hard to understand its impact.

We prefer on first principles to replace it with a simple carbon tax. This would align the problem with costs. It is a key principle that things that we do not want should be costed more, and things that we want to encourage should be cheaper. A simple tax makes this easy.

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:

Yes, implement a carbon tax. Australia's carbon tax was delivering well, until cancelled for political reasons. The British Columbia tax has been both effective and widely supported, because income from the tax was able to be returned directly to the taxpayer.

If the ETS is to be retained, it needs to be more stable and needs to implement a consistent price. Trading/selling units needs to be much easier.

28. Please comment here

Answer 28:

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