

## Topics for NZ ETS Review 2015/2016 consultation

About the consultation **Please note the downloads of this document might work on your computer but not on mine or I suspect most computers. I have had considerable trouble to get where I can write on this. A poor state when it is the last day for submissions. How many others gave up?**

The Government is reviewing the New Zealand Emissions Trading Scheme (NZ ETS) to assess how it should evolve to support New Zealand in meeting future emissions reduction targets and its ongoing transition to a low emissions economy. This follows the announcement by the Government in July this year that New Zealand's post 2020 target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030.

The Ministry for the Environment is leading the consultation and welcomes your feedback on how the NZ ETS is working and how it might work better in the future.

The review will focus on:

- some transitional measures introduced to moderate the impacts of the NZ ETS
- what is required for the NZ ETS to evolve with changing circumstances including future targets
- operational and technical improvements.

## Discussion document

For more information about the consultation, read our discussion document. It sets out the issues on which the Government is consulting, the objective and drivers for the review. It also contains the terms of reference for the review.

See the following two technical notes for information on specific issues relating to forestry and on operational matters that could be improved. Submissions on these matters close at 5pm on 30 April 2016.

- Operational matters technical note
- Forestry technical note

The following three technical notes were made available to support submissions on the NZ ETS review's priority issues. Submissions on priority issues are now closed.

- The New Zealand Emissions Trading Scheme evaluation report 2016
- Economic impacts of removing NZ ETS transitional measures
- Afforestation responses to carbon price changes and market certainties.

## Closing dates for submissions

- Submissions on priority issues closed at 5pm on 19 February 2016
- Submissions on other review matters close at 5pm on 30 April 2016.

## Publishing and releasing submissions

All or part of any written submission (including names of submitters), may be published on the Ministry for the Environment's website [www.mfe.govt.nz](http://www.mfe.govt.nz). Unless you clearly specify otherwise in your submission, we will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission and, in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this consultation under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this consultation. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

## Contact for queries

Please direct any queries to:

Phone: +64 4 4397400

Email: [nzetsreview@mfe.govt.nz](mailto:nzetsreview@mfe.govt.nz)

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

## Questions to guide your feedback

The questions below are a guide only, and all comments on topics are welcome.

To ensure your point of view is clearly understood, please explain your rationale.

## Contact information

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Submission Form

Discussion Document

Context and drivers for the review

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

Yes

No

Unsure ✓

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

Nitrate leaching

Moving to full surrender obligations – submissions on these priority issues closed on 19 February 2016.

Managing the costs of moving to full surrender obligations– submissions on these priority issues closed on 19 February 2016.

Other issues: business responses to the NZ ETS

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

Yes

If yes, how do you do this?

Buy back sold credits

No

If no, please explain your answer?

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

A steady reasonable carbon price

Other issues: protecting competitiveness through free allocation

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

A poor suggestion if you want forestry plantings to continue.

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?

Forget forestry investments

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.

Given the vagaries of timber prices a steady carbon price would give investors reason and confidence to entertain long term forestry investing.

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

Yes Yes because incentives to processing timber into higher prices goods would lift prices

No No Because without processing incentives timber prices are internationally driven.

Unsure

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 Placing a minimum price on NZU's would be a high incentive. **The Government should insure our forests as** we are taking on risk that the government gains the benefit from without any risk. If our forest blows down we cannot insure against this and need to find the cost of the carbon credits involved. This is a major disincentive to planting forestry. However a small carbon tweeking would give the government the funds to cover this risk.

b) other factors. As all carbon is not released to the atmosphere when we harvest, only requiring 40% of the Units to be returned would be a huge incentive to forestry plantings.

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)

Don't do this, keep our system 'in country' and thus ensure its credibility.

b) restrictions on how many units can be surrendered

c) others

Please explain your answer.

Other issues: managing unit supply – auctioning

17. Should auctioning be introduced in the NZ ETS?

Yes

No

Unsure ✓

If yes, when?

a) in the next two to three years

b) within five years (before 2020)

c) after five years (post 2020).

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.

Given the huge number of units in the market does not this again risk sending the price to 10c each?

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?

Other issues: managing price stability

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

a) minor

b) moderate

c) significant. NZU's are critical in making forestry related decisions. Their abuse had been known about long before its recent furore. The 'turning a blind eye' has been close to criminal in its negligence.

Please explain your answer.

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

Yes So long as the price gives incentives not disincentives to plantings.

No

Unsure

Please explain your answer

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)

A vexed question given speculators joy of trading anything at the expense of the industry involved.

b) lower price limits (eg, price floor)

Absolutely necessary given the long term nature of forestry investments.

c) other

Please explain your answer

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

The long term nature of forestry as an industry and an investment. 5 year increments might be one strategy.

Other issues: operational and technical matters

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

Yes

No

Unsure

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.

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?

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

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

28. Please comment here

[NB: Separate consultation form]

NZ ETS review: Forestry technical note

The following questions relate to information presented in the Forestry technical note.

Existing structural design settings

F1. What do you consider are the strengths and weaknesses of the NZ ETS forestry settings?

F2. Do the NZ ETS forestry settings discourage deforestation? If not, what settings do you think would?

Yes

No

Unsure

Please explain your answer

F3. Do the NZ ETS settings incentivise afforestation and replanting? If not what settings do you think would?

Yes

No As all the carbon in a tree is not released when it is cut down reducing the claw-back to 40% of allocated units would greatly incentivise replantings.

Unsure

Please explain your answer

F4. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would?

Yes

No As all the carbon in a tree is not released when it is cut down reducing the claw-back to 40% of allocated units would greatly incentivise replantings.

You should permit assessment of carbon volumes in all forests. Not just those large ones. I have more volume in mine compared to my neighbour, as I did not thin my trees. But we both get the same unit allocations.

Unsure

Please explain your answer

F5. Does the NZ ETS work well alongside other forestry programmes? If not, how do you think these programmes could be better aligned?

Yes

No

Unsure

Please explain your answer

F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme?

As all the carbon in a tree is not released when it is cut down reducing the claw-back to 40% of allocated units would greatly incentivise replanting's.

You should permit assessment of carbon volumes in all forests. Not just those large ones. I have more volume in mine compared to my neighbour, as I did not thin my trees. But we both get the same unit allocations.

Future forestry accounting in the NZ ETS

F7. What are important factors when considering changes to forestry accounting settings in the NZ ETS?

F8. Do you think a different forestry accounting approach in the NZ ETS would change the scheme's incentives for afforestation?

Yes

No

Unsure ✓

Please explain your answer

Averaging

F9. Do you think averaging should be introduced for post-1989 forests? If so, why?

Yes

No ✓

Unsure

Please explain your answer Auctioning is just a method for emmitters to get units at a low price. Fine for them. The problem is the ETS scheme is there to incentivise emmitters to move to carbon free methods. If you make it cheap for them to get units there is no reason to have an ETS scheme.

Do you think it should it be optional or mandatory? Don't have it!

F10. Should there be limits on the types of forests that can use an averaging accounting method? For example, new forests only or forests under a size threshold.

Yes

No

Unsure

Please explain your answer

F11. How might averaging impact on your business decisions?

Harvested Wood Products

F12. Do you think deferred liability for emissions from Harvested Wood Products (HWPs) should be recognised domestically? If so, how?

Yes **Only require a 40% unit return at forest harvest.**

No

Unsure

Please explain your answer

F13. How might the options for deferred liability for emissions from HWPs impact on your business decisions?

**Favourably**

Other

F14. Do you have any other comments or things you think are important?

**New Zealand has a serious problem with nitrate leaching.**

**If all farms with stock had to provide a 20m boundary of forest beside any waterway this would solve two problems in one go.**

**If dairy farming for example had to comply with emissions at an increasing rate that those trees grow there would be almost no cost to agriculture and it could be incorporated immediately.**

[NB: Separate consultation form]

NZ ETS review: Operational matters technical note

The following questions relate to information presented in the Operational Matters Technical Note, which can be found here.

Encouraging compliance with NZ ETS requirements

OM1. Do you encounter challenges when completing New Zealand Emissions Trading Scheme (NZ ETS) requirements, such as meeting your emissions reporting or surrender requirements?

Yes

No

Unsure

What are these?

What would overcome these challenges?

OM2. What is your opinion of the tools available to regulators to correct errors and address non-compliance?

What would help improve these tools?

OM3. Are there options, not already included here, for improving compliance with emissions reporting and surrenders?

Yes

No

Unsure

What are they?

Disclosure of NZ ETS information

OM4. Does the current level of information available allow you to make informed decisions about your participation in the NZ ETS?

Yes

No

Unsure

If not, please give examples of information you think would be useful, and how it would help you.

OM5. Are there any additional forms of information that would assist with your understanding of, or participation in, the market?

Transfer of participation for post-1989 forestry

OM6. Have you undertaken, or expect to undertake in the future, an NZ ETS transfer process?

Yes

No

Unsure

If so, how well do you understand the transfer provisions?

OM7. Have you encountered issues with NZ ETS land transfer requirements?

Yes

No

Unsure

If so, what issues did you have?

OM8. Do you think the NZ ETS transfer requirements should be changed or simplified?

Yes

No

Unsure

If so, how?

Tree weed exemption provisions under the Climate Change Response Act 2002

OM9. Have you encountered any problems with the tree weed exemption process?

Yes

No

Unsure

Please explain your answer?

OM 10. Have you encountered issues in complying with the conditions of a tree weed exemption?

Yes

No

Unsure

Please explain your answer?

OM 11. Do you think the tree weed exemption provisions could be improved?

Yes

No

Unsure

If so, how?

The public's limited access to information about the NZ ETS status of land

OM12. What information on land status under the NZ ETS would be useful for your decision making?

OM13. Have you faced any problems in classifying forest land under the NZ ETS or in accessing information on forest land's NZ ETS status?

Yes

No

Unsure

Please explain your answer?

OM 14. Do you think the Government should provide information on the NZ ETS status of land that is not already subject to the NZ ETS?

Yes

No

Unsure

If so, how would this help you?

When your submission is complete

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

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