

New Zealand ETS review 2015/16 consultation



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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:

How forestry participants can provide carbon and benefit from selling it at some point without the need for full surrender on harvest.

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:

As soon as possible. The scheme has lost land based participants confidence and credibility. Full surrender would increase demand and signal a serious move to strengthening the ETS and allow the land based sector to have confidence in making long term decisions on future land use.

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

Answer 4:

Increased pricing would provide for long term land use change. When pricing of carbon was at \$20 we saw increased activity in land use change. Areas were retired, new forest was established. Once the price fell and the scheme weakened confidence was lost and investment and land use change fell away rapidly. To get that confidence back will take sometime. Price increases will only be part of the increased investment. The ETS needs to be seen to be long term, settings strengthened and the chances of major modifications in the future protected.

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.

Full surrender: To give a clear signal to the land based sector that the ETS is a serious tool to combat climate change. The land based sector have to make long term decisions on land use. Planting trees and reversion takes time. Give the sector confidence straight away to invest.

Partial surrender: Indicates hesitation and a maybe this scheme will go away as many land owners think. Comes back again to confidence in the scheme.

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

Answer 6: No

6A. Please explain your answer:

It supposed to be a market driven mechanism. Increased demand may see banked credits move out of accounts as prices rise. Allow this market to develop. There are plenty of units in accounts especially pre 90 units.

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

Answer 7: a) maintain the fixed price option at \$25

7A. Please explain your answer:

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

Answer 8: Don't believe it should change

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

Answer 9:

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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:

The carbon price for new forest has a big impact on decisions for future investment.

The current price is too low for investment together with a lack of confidence in the scheme. Without changed settings I don't see a great change in carbon pricing.

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: The land eligibility criteria is far too strict. Any doubt it is thrown out.

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:

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- 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

16A. Please explain your answer:

We have to protect the credibility and value of the NZU. We have already seen what international units have done to our ETS. Any future international units have to be restricted to a percentage of surrender and the quality of those units strictly controlled. Its about credibility of our scheme to all of us.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: No

17A. Please explain your answer: There is enough supply of units as well as banked units

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?

Answer 20: c) significant

20A. Please explain your answer: Forest investment and regeneration of marginal land stopped.

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

Answer 21: No

21A. Please explain your answer:

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

Answer 22:

22A. Please explain your answer:

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

Answer 23:

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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:

Name Jason Loveridge

Organisation (if applicable) JTL Carbon Farming Consultancy Ltd

Address PO Box 109 Stratford 4352

Telephone [REDACTED]

Please enter your email address to receive a copy of your submission [REDACTED]