

New Zealand ETS review 2015/16 consultation



Copy of your submission

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:

New Zealand needs a comprehensive plan to end our dependency on fossil fuels and reduce greenhouse gas (GHG) emissions. This plan must include a step-by-step process to meet our 2030 target and our obligations to the rest of the world, and the ETS review should be integrated with this plan.

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:

Given that New Zealand's emissions are continuing to escalate at an alarming rate, there is no time left for transition measures. The world is committing to cutting GHG emissions and New Zealand is lagging far behind. There is no question that we should move to full surrender obligations. This will bring us in line with pricing that other countries around the world are already implementing.

The "one-for-two" deal on emissions should be removed immediately, as this will greatly assist in meeting the objectives of the ETS.

The impact on the economy will be very modest and action now will reduce the cost of meeting our 2030 target.

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

Answer 4:

I am an individual, not a business, so I can only speak to the overall economic impact on myself as a member of the general public, which will be very little.

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.

As soon as possible, and by the end of 2016 at the latest. The sooner we move to full surrender obligations, the sooner we are on track to meeting our emission targets.

Carbon prices need to rise above a threshold of \$15 to stimulate forest planting, which will be key to helping meet our 2030 target. Moving to full surrender obligations will help strengthen prices.

We must send a clear signal to the rest of the world that we are prepared to "do our bit" following the UNFCCC in Paris last year.

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

Answer 6: Yes

6A. Please explain your answer:

Yes, but it is important to maintain an effective carbon price. Modelling conducted by the New Zealand Institute of Economic Research shows that removal of a cap will only have a modest economic impact, thus it is likely that the short term price shocks can be absorbed. This can be done by allowing a temporary fixed cap at \$25 until the end of 2016.

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

Answer 7: c) gradually move to full surrender obligation

7A. Please explain your answer:

A price cap should be maintained until the end of 2016. From then on, it should be completely removed, or gradually increased at a fast rate, such that by 2017 we are at a measurably meaningful level.

If a price cap is to be kept it should be set at a meaningful level - for instance at the 'social cost of carbon', which is currently around NZD\$60 (as assessed by the US EPA).

There are a number of ways the government could reduce the impact on those in tougher financial positions without watering down the carbon price. One obvious way would be tax adjustments.

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

Answer 8:

First and foremost, the price needs to reflect the true impact of carbon emissions. These estimates are available, and our pricing must reflect this.

A fixed price surrender should only be an introductory measure. NZIER modelling shows that a cap of \$25 could severely restrict the potential net emissions reductions, whereas removing it would have only a small impact on the economy.

In addition, we must face the reality of the cost of inaction, which is orders of magnitude larger than the cost of action. Because of this we must also introduce a price floor with immediate effect to stimulate forest planting and other such active mitigation measures. A threshold of \$15 will start to achieve this, although it is not adequate for meeting our 2030 targets. A full surrender would help strengthen prices.

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:

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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:

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

Answer 14:

15. What are your reasons for the above answer?

Answer 15:

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:

17. Should auctioning be introduced in the NZ ETS?

Answer 17:

17A. Please explain your answer:

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:

20A. Please explain your answer:

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Environment
Manatū Mo Te Taiao

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

Answer 21:

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:

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:

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