

# New Zealand ETS review 2015/16 consultation

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

Answer 1: No

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

Answer 2:

A review is essential, as the ETS is not performing the role originally asked of it (meaningful emissions reductions). The discussion document claims that the ETS has met its objectives, but I suggest that this is only because the Government's reduction targets are so unambitious. The acceptability of the East European 'hot air' units has further weakened the effectiveness of the ETS. In this ETS review, the Government must signal a significant increase in reduction ambition, and change the ETS accordingly.

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:

Removing the subsidy will provide incentive for all energy users (and waste producers) to seek more efficient practices, and look for clean energy alternatives. At a time when prices for coal, gas and oil are so low, now is a great opportunity to move to the full surrender obligation. And, any later increase in energy prices will likely be associated with stronger overseas economies, from which NZ would benefit through increased demand for our goods and services, and so a greater ability to pay higher carbon prices.

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

Answer 4:

As a householder, moving to full surrender obligation will have only minimal impact. A few cents extra on transport fuel is inconsequential compared with the recent price fluctuations. And the same goes for electricity prices.

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. Asap, for the reason above (low energy prices).

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

Answer 6: No

6A. Please explain your answer:

Impacts on householders will be minimal, as per responses above on low energy prices (Q3 & 4). The large industrial emitters have had many years to prepare themselves for a carbon-constrained world; if they have not done so by now then it is a sign of poor strategy and management.

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

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Answer 7:

7A. Please explain your answer:

As per previous comments, moving to full surrender obligation does not need any special measures.

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

Answer 8:

To provide sufficient incentive to large emitters and all energy users, to improve energy efficiency and transition to low carbon technologies, the fixed price should increase from \$25, with stepped increases over the next decade (at least), e.g. by \$5 per year. This would provide some certainty.

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: n/a

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

Answer 11:

If we assume that the Paris agreement will accelerate the move to a low carbon world, then phasing out of free allocation should begin before 2020. Pushing this out to 2020 or beyond, just means that our industries and business will be less prepared for a low carbon world, and therefore increases likelihood of future trading difficulties.

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: n/a

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

Answer 13: n/a

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:

Having a plan to introduce agricultural emitters (non-energy) into the ETS will reduce the perverse incentive to cut down existing forests and convert to dairy (albeit that incentive is low now because of low dairy prices). It might also result in re-conversion of pasture back to forested land.

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

16A. Please explain your answer:

Any overseas units available for surrender must be proven to be a result of meaningful emissions reductions, certified by independent carbon accounting experts.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: Unsure

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: n/a

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

Answer 21: Yes

21A. Please explain your answer:

Yes, there should be a 'floor' price and a ceiling price, but the latter should be set at high carbon price (which seems very unlikely in the foreseeable future).

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

Answer 22:

- a) upper price limits (eg, fixed price option, or a price ceiling implemented through an auctioning mechanism)
- b) lower price limits (eg, price floor)

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: 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:

Leaving agricultural emissions aside (reluctantly), NZ's main challenge is transport emissions, primarily road transport (LPV and HGV). The Government has almost no measures in place to accelerate the take-up of low carbon technologies.

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:

The Government needs to produce a meaningful carbon reduction plan, and aim for cross-party support (similar to the UK model).

28. Please comment here

Answer 28:

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