

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:

The inclusion of agriculture in the ETS. I struggle to grasp how in one sentence the government can acknowledge that biological emissions make up almost half of our total emissions and then in the next sentence says that its "too expensive" and "no one else is doing it so we won't either". You can't have an efficiently operating ETS scheme if you immediately exclude the producers of 50% of the emissions. As a minimum a transition period for their inclusion into the ETS needs to start immediately. Like the government keeps saying the price on emissions is intended to create a financial incentive - by starting them at even a low rate of a 4 to 1 scheme at least it is a start and it gets the ball rolling. There is currently zero incentive for the agricultural sector to change.

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:

In theory, yes, they should move to a full surrender obligation. But this is only part of the equation. The ETS needs a multifaceted approach to success and this is only 1 of the facets. You are only tinkering with one sector that accounts for less than half of all our emissions. It will not solve the problem alone.

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

Answer 4:

In terms of our business specifically it will have minimal impact. It may slightly increase planting rates (but probably not even to the degree that the likes of the Afforestation Grant Scheme will). May have a slightly increase in carbon trading and result in more forest owners wanting to sell carbon credits as price levels increase.

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

Answer 5: d) other - please specify

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.

Should be implemented at the same time as agriculture is brought in on a transitional phase (ie. as fossil fuel initially was on a 2 for 1 scheme). Sends a strong message that we are taking the climate change problem seriously and we are focussed on changing practices for the better.

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

Answer 6: No

6A. Please explain your answer:

Most emitters already in the scheme will be aware their obligations are likely to increase. Those that are most effected by a higher price have likely already stockpiled credits at lower prices or made forward purchases.

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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:

Maintain the fixed price option for a transitional period of time as the market comes to terms with the changes, following which it should be dis-established and the market can operate freely. If a fixed price mechanism is left in place then a lower fixed price mechanism should be implemented. Unfair on forest owners to have one without the other. Ideally there would be neither.

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

Answer 8:

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

Answer 9: No

9A. Please explain your answer: Not currently.

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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:

Knowing that the government was committed to a certain strategy for the medium term future. It is presently difficult to know which way things are going to go.

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

Answer 11: No comment.

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 comment.

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

Answer 13:

Carbon price impacts in several ways. At a lower price there is little incentive to reduce deforestation as the return from a different landuse often outweighs the cost of surrendering the liability. It also cancels out those who may be interested in planting trees for carbon forestry (for example on land that is isolated and far from markets).

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:

If the ETS recognised that when a forest is harvested not all of the carbon is immediately lost. Some is retained in the final products and therefore not all credits should need to be surrendered at harvest. This would be an incentive as means forest owners can sell a portion of their credits liability free, without being subject to price risk at harvest. With something like this forest owners actually reap a real benefit as a result of voluntarily registering their trees in the ETS.

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)

16A. Please explain your answer:

Should no longer be able to surrender "hot air" credits from the likes of Russia and Ukraine. Not achieving anything by allowing these into the marketplace.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: No

17A. Please explain your answer:

The only reason you would auction NZUs is to lower the price. And the only people that benefit from that is emitters and those who are deforesting.
Do not help forest owners in the slightest.

18. What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?

Answer 18: a) to align supply in the NZ ETS more closely with our international target

18A. Please explain your answer:

Why have a credit market if you are going to regulate the price? May as well just impose a carbon tax if you are going to do that.

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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: b) moderate

20A. Please explain your answer:

Forest owners become disillusioned when the scheme has loopholes and the carbon price plummets. The biggest

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effect is on replanting - the ETS was originally portrayed as a great opportunity for forest owners and when the scheme isn't operating as it was designed to there is no incentive for new planting as a result.

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:

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: All generally fine in terms of administration.

26. Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?

Answer 26:

The fact that agriculture is in no way included is a significant barrier to prevent this.

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:

Consider a transitional phase for the inclusion of agriculture. They need to get on board and become part of the bigger picture.

28. Please comment here

Answer 28:

Name [REDACTED]

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