New Zealand ETS review 2015/16 consultation

Copy of your submission

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:
While I support the drivers for the review, they are not broad enough.
The ETS (alone or in combination with other Government-led actions) needs to enable New Zealand to meet our 2030 target for domestic emissions reductions without relying no international trading.
As part of this plan, the ETS needs to include agriculture, if not now then from a clearly stated point in the future. Agriculture contributes a significant portion of New Zealand's overall emissions, so excluding it indefinitely will severely hamper efforts to meet our 2030 emissions target.
Furthermore, industries / companies should not be provided free emissions units. If the provision of free units is retained to cover their existing emissions, then they should not be provided with free units that allow them to expand their emissions. In this way, the ETS can at least help to cap the growth in emissions in these sectors, if not to reduce emissions immediately.
Note that introducing a carbon tax instead of an ETS would provide a clearer, more transparent system for pricing carbon and incentivising emissions reductions, while providing a revenue source to fund other climate change mitigation and adaptation initiatives.

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:
Full surrender obligations should be implemented immediately. Previous reviews recommended that the two-for-one surrender obligation be discontinued prior to now. Its purpose as a transition measure has been served, and keeping it in place for longer effectively subsidises all new and existing emissions. Moving to a full surrender obligation should happen as soon as practicable so that the ETS can be effective in reducing NZ's emissions.

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

Answer 4:
Increased carbon prices would have minimal impact on me. The impact of the current carbon price on consumer petrol prices is so small as to be negligible compared to the fluctuations in fuel prices caused by other international factors.
However, a higher price on carbon may help to incentivise low-carbon business models and activities, thus providing better alternatives for me as a consumer trying to avoid purchasing from high-emitting industries or businesses.

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.
The transitional surrender obligation has already been in place for longer than planned, and New Zealand's emissions have continued to increase during that period. Moving to full surrender obligations creates certainty for emitters and helps to ensure the ETS is effective in controlling greenhouse gas emissions.

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

Answer 6: No

6A.Please explain your answer:
Attempting to protect businesses from increases to carbon prices under the ETS is counter-productive and will simply delay our efforts to reduce carbon emissions to meet our international commitments. Carbon prices are currently too low and should be allowed to rise as as result of improving the ETS.

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

Answer 7: d) other methods - please specify

7A. Please explain your answer:
An immediate rise in carbon prices will help us kickstart the transition of our economy off fossil fuels. It may cause a short term cost, but will result in long term savings as we have to reach net zero emissions between 2050 and 2100.
Maintaining the fixed price option may help to provide certainty; however, it should be higher than $25, as this is lower than the estimated current cost of greenhouse gas emissions as provided in the consultation materials. Therefore, if a fixed price option is retained this price should be increased over time.

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

Answer 8:
The consultation documents note that the International Panel on Climate Change estimated the average carbon price would need to be $90–$178 to limit global temperature increases to 2 degrees Celsius.
However, the COP21 Agreement recognised that temperature increases should be limited to 1.5 deg C, so higher carbon prices are likely to be required. Other research has estimated required carbon prices of at least NZ$300–$400 (Moore & Diaz, 2015, Nature Clim. Change 5: 127-131; Shindell, 2015, Climate Change 130:2), or even as high as NZ$1350 now and up to NZ$2250 by 2050 (Ackerman & Stanton, 2012, Economics 6: 2012-10) in order to account for the true cost of greenhouse gas emissions to the environment, society and global economy.
Note that a carbon price of $100 per tonne of CO2 is equivalent to about 25 centres per litre of petrol; consumer petrol prices have increased and decreased significantly more than this over the last decade as a result of normal market fluctuations.

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:
Free allocations should start to be reduced immediately, regardless of other policy changes. They effectively subsidise the cost of emissions by certain sectors, thereby incentivising long-term investment in carbon-intensive businesses.

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:
It would create better investment options for me by incentivising the development of low-carbon investments.

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: Unsure

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: a) restrictions on where units can be sourced from (location of and/or types of projects)

16A. Please explain your answer:
While I support integrating the ETS with similar international trading schemes, allowing international units may reduce the efficacy of our ETS. Thus, we should aim to trade with countries that have a relatively stable market with prices that are at least as high as those currently in the NZ ETS, and moving towards the required price of $90-$178.

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:

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:

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

Answer 21: Unsure

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: Yes

25. Can you provide further information to support your answer?

Answer 25:
Moving to a carbon tax would eliminate the need for carbon trading and make the price of emissions completely transparent.

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 Rachel Lees-Green

New Zealand ETS review 2015/16 consultation

Copy of your submission

Organisation (if applicable)

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