

Topics for NZ ETS Review 2015/2016 consultation

About the consultation

The Government is reviewing the New Zealand Emissions Trading Scheme (NZ ETS) to assess how it should evolve to support New Zealand in meeting future emissions reduction targets and its ongoing transition to a low emissions economy. This follows the announcement by the Government in July this year that New Zealand's post 2020 target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030.

The Ministry for the Environment is leading the consultation and welcomes your feedback on how the NZ ETS is working and how it might work better in the future.

The review will focus on:

- some transitional measures introduced to moderate the impacts of the NZ ETS
- what is required for the NZ ETS to evolve with changing circumstances including future targets
- operational and technical improvements.

Discussion document

For more information about the consultation, read our discussion document. It sets out the issues on which the Government is consulting, the objective and drivers for the review. It also contains the terms of reference for the review.

Some transition measures are being given priority and have the first deadline for submissions as they may be candidates for legislative change in 2016 (see closing dates for submissions below). Refer to the discussion document for detail on the priority and other matters under review.

Technical notes on the following specific issues will be available in December or early 2016 to support submissions:

- modelling of the impacts of the priority issues outlined in the discussion document
- forestry sector matters, including accounting methodologies for post-1989 foresters
- operational and other technical matters.

To be notified of when these technical notes are available, please email nzetsreview@mfe.govt.nz.

Closing dates for submissions

- Submissions on priority issues close at 5pm on 19 February 2016
- Submissions on other review matters close at 5pm on 30 April 2016.

You may make submissions on both priority issues and on the other matters. If you provide feedback on both you can do so in a single submission or separate submissions. Please note submissions on priority issues must be received by 19 February 2016.

Submission Form

Context and drivers for the review

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

Yes

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

The agricultural sector should be included. The sector should submit emission units. Farmers make money from their activities. Like any other emitting business they should pay. By not doing so the emphasis on reducing our emission levels is skewed against other emitters. Having surrender obligations will incentivise reductions, including developing the technology to do so. Agriculture has heavily polluted NZ's land and water. To give the sector a free ticket to also degrade the atmosphere is an abdication of governmental responsibility.

Moving to full surrender obligations

3. Should the NZ ETS move to a full surrender obligation for the liquid fossil fuels, industrial processes, stationary energy and waste sectors?

Yes

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

At the current prices the full surrender will have almost unnoticeable impact. At a price of \$20 per unit the impact will be noticeable but not unmanageable.

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

a) 2016 Yes

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 year.

The initial cost impact is low.

Energy prices are currently relatively very low. Consumers will be able to manage the minimal cost impact.

Managing the costs of moving to full surrender obligations

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

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

a) maintain the fixed price option at \$25 , at least for three years to allow the market to settle. Review after that time.

Other issues: business responses to the NZ ETS

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

No

10. What would improve your ability to take into account the future cost of emissions in your business planning?

It doesn't affect my business but price shocks, although unlikely, should be managed. i.e. have a maximum fixed price for a period.

Other issues: protecting competitiveness through free allocation

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

Don't know.

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?

Other issues: managing unit supply - forestry

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

In your answer, we are interested in the:

- a) extent to which the NZU price impacts decisions, compared to other factors
- b) impacts of the current price, and of your expectations for future prices.

As a forestry shareholder the current, and recent, unit prices are a disincentive to forestry investment. I am optimistic that with growing political global warming awareness that prices will increase to a level that will encourage forestry investment.

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

Unsure

15. What are your reasons for the above answer? If you answered yes, we would be interested in comments on:

- a) any barriers to participating in the NZ ETS that could be reduced
- b) other factors.

Other issues: managing unit supply – international units

16. If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?

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

Yes

- b) restrictions on how many units can be surrendered

Probably. Recent experience shows how a flood of dubious units totally undermined the effectiveness of the NZETS.

- c)

Other issues: managing unit supply – auctioning

17. Should auctioning be introduced in the NZ ETS?

Unsure

If yes, when?

- a) in the next two to three years
- b) within five years (before 2020)

c) after five years (post 2020).

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

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

b) to more actively manage NZU prices

c) other (please explain).

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?

Other issues: managing price stability

20. What impact has carbon price volatility in the NZ ETS had on your business?

a) r

b)

c) significant. (As a forestry shareholder)

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

Yes For a period to ensure there are no early dramatic shocks, either up or down.

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

a) upper price limits (eg, fixed price option, or a price ceiling implemented through an auctioning mechanism) Yes

b) lower price limits (eg, price floor) Yes

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

Other issues: operational and technical matters

24. Are you aware of ways the administrative efficiency of the NZ ETS could be improved?

Unsure

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

We would be interested in comments on:

- a) complexities involved in NZ ETS participation Liquidity in the NZU market would help. Westpac didn't want to register me as a customer because they were afraid of money laundering!
- b) penalties for breaching NZ ETS obligations
- c) any technical or operational changes that could be made to the NZ ETS to improve efficiency.

Other issues: addressing barriers to the uptake of low emissions technologies

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

27. If so, is there a role for the Government in addressing these barriers or market failures and how should it do this?

Any other comments related to issues set out in the discussion document

28. Please comment here

When your submission is complete

Email your completed submission to nzetsreview@mfe.govt.nz or post to NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

Submissions on Priority issues close at 5.00pm on 19 February 2016.

Submissions on Other matters close at 5.00pm on 30 April 2016.