

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:

For the potential environmental, economic and social benefits of the NZ ETS to be realised, changes are needed! Current drivers do not sufficiently incorporate or give effect to opportunity cost (reducing emissions now will be less costly than reducing emissions in the future and dealing with adaptation costs at the same time) and the risks associated with reducing emissions at a later time. We all understand that there is a cost associated with reducing emissions and that is fine. But the Government needs to communicate the drivers for the ETS review and required changes more objectively!

Also, the current review of the ETS is too limited in scope. Broadening the scope and timing of the review would help both the government and the New Zealand public to make the most of this consultation opportunity.

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:

New Zealand has a strong history of not using subsidies. Why is this different for the ETS mechanisms. Businesses should be responsible for their full obligations.

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

Answer 4:

a) Increase in carbon prices will impact business decisions, as related products or services will pass on carbon related costs. This will affect the products I or businesses will purchase, leading to lower emission products and services becoming more competitive, ultimately resulting in a reduction of emissions.

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

Answer 5: c) 2018

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.

Businesses will need some time to adapt to changes in the ETS. However, they will also need a clear target to work towards. A target date too close or too far ahead will not result in meaningful actions.

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

Answer 6: Yes

6A. Please explain your answer:

Gradual move to full surrender obligations over a period of no more than 3 years. Again, if the period for managing the shocks is too long than this will only limit the effectiveness of the ETS.

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: See under point 6. Maximum of 3 years transition for all sectors.

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

Answer 8: Gradual move to full surrender of obligations.

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

Answer 9: Yes

9A. How do you do this?

Cost of carbon, likely government and international requirements for business activities (e.g. air travel).

page 2

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

Answer 10:

Clear direction from the Government regarding the ETS and carbon pricing expected for New Zealand. This will need to be a cross party agreement. Climate change doesn't change with political cycles!!!

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

Answer 11: No conditions. These should be removed before 2020.

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 provide more certainty for business planning!

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

Answer 13:

a higher price for carbon will make forestry more interesting as an investment opportunity, ultimately leading to more forestry...

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: n/a

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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:

There is a risk of an oversupply of units (so far this has happened with all trading schemes). For the NZ ETS to work effectively there need to be safeguards to prevent an oversupply of international credits.

17. Should auctioning be introduced in the NZ ETS?

Answer 17: Unsure

17A. Please explain your answer: this should be explored further...

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

Answer 18: b) to more actively manage NZU prices

18A. Please explain your answer: potential mechanism to handle oversupply.

page 3

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: unsure

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

Answer 20: a) minor

20A. Please explain your answer:

So far the prices have been so low that there was no significant impact. Higher and more predictable (less variable) prices would provide more certainty around investment decisions.

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

Answer 21: Yes

21A. Please explain your answer:

To deal with oversupply and degradation of the market mechanism of a carbon price. See 20a, stability and predictability (to some degree) will result in better business planning and investment in low carbon technology,

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products and services.

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

Answer 22: b) lower price limits (eg, price floor)

22A. Please explain your answer: to avoid the situation we have had for the last few years.

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

Answer 23:

Ability for New Zealand businesses and society to adequately prepare for a low carbon economy. Low carbon prices will limit the move towards a low carbon economy.

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

Answer 24: Unsure

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

Answer 25:

So far it seems to me that the penalties for breaching the NZ ETS obligations are not enforced strictly enough and or that penalties are insufficient to act as deterrents.

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

Answer 26:

changing policies around climate change and low carbon economy. Clear direction from government will be more useful than the flip-flopping we have seen between 2006 and 2016.

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:

Government need to provide clearer direction and prepare New Zealand businesses and society for the reality of a low carbon economy. This will come at a cost. There is no point in putting our head into the sand and ignore the likely costs. Be more upfront about risks for inaction and opportunities for NZ to transition to a low carbon economy.

28. Please comment here

Answer 28:

Name Maurice Marquardt

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