

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.

Publishing and releasing submissions

All or part of any written submission (including names of submitters), may be published on the Ministry for the Environment's website www.mfe.govt.nz. Unless you clearly specify otherwise in your submission, we will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission and, in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this consultation under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this consultation. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

Contact for queries

Please direct any queries to:

Phone: +64 4 4397400

Email: nzetsreview@mfe.govt.nz

Postal: NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143

Questions to guide your feedback

The questions below are a guide only, and all comments on topics are welcome.

To ensure your point of view is clearly understood, please explain your rationale.

Contact information

Name	Josephine Herman
Organisation (if applicable)	Moana Ola Pasifika Public Health Network
Address	[REDACTED]
Telephone	[REDACTED]
Email	[REDACTED]

Submission Form

Context and drivers for the review

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

Yes, however an additional driver to consider is the identification of complementary tools to assist the ETS and related domestic emissions reduction initiatives, to progress New Zealand towards our 2030 target (in 14 years).

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

Take into account the COP21 outcomes, especially those policies and measures that would have direct impacts on the New Zealand ETS (e.g. Articles 2, 4, 5 and 6 of the Paris Agreement).

Reaffirm New Zealand's leadership in the Pacific region and on the international stage regarding climate change, sustainability and related issues.

Consider a more ambitious but realistic, cost- and time-efficient process to design a comprehensive plan on how ETS would contribute to achieving our 2030 target. The significant health and social implications for Pacific peoples in New Zealand as well as the Pacific region make it critical for New Zealand to future proof mitigating actions.

Take into consideration our government's obligations to the Pacific realm countries in particular Cook Islands, Niue and Tokelau and collaborate with these countries to ensure they are well supported to mount an effective response.

Tokelau should be fully consulted not only about the ETS review but other related aspects of the whole of New Zealand government approach to climate change.

The exclusion of the farming sector from the ETS given they are responsible for half of New Zealand's emissions is an inequitable burden placed on the New Zealand population in particular Pacific, New Zealand Māori and vulnerable families, and is unfair and unjust.

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

We have already exceeded the revised timelines for phasing out the 'one-for-two' scheme and it is difficult to defend when other countries have stronger carbon prices. The transition to a net zero carbon economy is inevitable and New Zealand needs to act now in order to reduce costs in the longer term.

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

Please include specific examples or evidence of the impacts on you or your business of:

- a) increased carbon prices, including actions to reduce emissions and future investment decisions. Please comment on effects that may occur at carbon prices ranging from \$5 to \$50, including any evidence of actions taken previously when carbon prices were higher.
- b) any NZ ETS administrative or operational issues, for example the option for participants to apply for a unique emissions factor.

Likely increase on 'carbon-based' goods and services which will disproportionately affect Pacific, New Zealand Māori, and other low-income and vulnerable households. However, not acting on reducing emissions is also going to impact severely on these populations.

This ETS review should provide the data and information we need to determine, mitigate, and monitor the social and economic impact on the New Zealand population in particular Pacific, New Zealand Māori and vulnerable peoples.

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

a) 2016 - as soon as possible (and well before COP22).

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.

Current low oil and carbon prices provide an opportune time for moving to full surrender obligations. Such a move sends a clear signal that New Zealand is fully committed to meeting its COP21 obligations and intends to meet our 2030 target.

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

Yes, but this must be balanced with avoiding counter-productive measures which delay progress towards achieving New Zealand's 2030 target.

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 (NZD) until the end of 2016 to mitigate potential short-term shocks, but should be either removed or increased thereafter. Use various options to minimise the impact on Pacific, New Zealand Māori and other low-income and vulnerable communities for e.g. tax adjustments, thus avoiding a watering down of the carbon price.

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

The price cap should be set at a level which takes into consideration the 'social cost of carbon' currently assessed by the US EPA at \$60 (NZD).

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.

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

Other issues: protecting competitiveness through free allocation

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

Other issues: managing unit supply - forestry

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

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

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

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)

Restrict the New Zealand ETS scheme to members of the Pacific Islands Forum, TransPacific Partnership Agreement, and China.

Other issues: managing unit supply – auctioning

17. Should auctioning be introduced in the NZ ETS?

Yes

If yes, when?

b) within five years (before 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 New Zealand ETS more closely with our international target .

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?

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

Yes

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)

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

Complexities involved in New Zealand ETS participation. Penalties for breaching New Zealand ETS obligations. Impact on our economic/trade competitiveness. Impact on meeting our COP21 and related regional and international obligations.

Other issues: operational and technical matters

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

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.