

From: [The Morgan Foundation](#)
To: NZETSReview@mfe.govt.nz
Subject: 00192 New submission from ETS Submissions
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Do you agree with the drivers for the review?

Yes, but some drivers are missing

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

What is the ETS trying to achieve in terms of domestic emissions reductions? Given we have no confirmed international trading, the starting point should be planning to meet our 2030 target with domestic emissions reductions. What carbon price would it take to achieve that goal? That information is central to this consultation.

Regardless of international trading, our economy needs to transition to net zero carbon this century. Where is the Government's plan for this transition?

There are many options available to the government to move our economy along the transition path. While the ETS and a significant price on carbon will underpin all carbon reduction strategies it will not on its own ensure anything much happens. The Government needs to work in each sector and where necessary provide investment, incentives and regulation to ensure the transition to net zero emissions. This is a battle that New Zealanders of all persuasions will join the Government in winning.

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

Yes

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

2016

Outline your reasons for the above selection

The Government kept the two for one offer far longer than recommended by the last panel. So there is no rationale for keeping it any longer now.

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

No

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

gradually move to full surrender obligation

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

The ETS needs to be unconstrained at the end of the planning horizon (10-20 years) A price of the order of \$100 /tonne will be needed to obtain significant abatement and to stimulate mass forest plantings.

A functioning ETS will encourage

1. The removal of carbon from our electricity system with new Geothermal and Wind options significantly more economic. Additional measures should be considered to stimulate distributed generation such as rooftop PV which benefits the system and allows hydro to be used for firm capacity and energy storage.
2. Forest Planting - additional support should be put in behind a national Bioenergy Strategy to create biofuels to replace fossil Diesel as required by freight vehicles; and to allow wood based fuel for industrial heat production (e.g. replace Fonterra's Coal).
3. \$100 /tonne CO2 will only lead to a moderate price increase on motor fuels. However as we need

to transition our fleet to zero emissions additional measures such as incentive or regulation are required to ensure a transition to EVs, Biofuels or other future options. Examples can be seen in California, UK, Norway as to how this is achieved.

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. The costs of not acting on CO2 are surely much greater - for example our clean, green trade and tourism image will just not appeal when NZ is shamed as a non-contributor in the planets biggest battle.

Contact details

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