



## ETS Review Phase 1 Submission

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### Contact information

Name: Zoe Lenzie-Smith  
Organisation: New Zealand Youth Delegation 2015  
Address: [REDACTED]  
Telephone: [REDACTED]  
Email: [REDACTED]

## Submission

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?*

### **Develop a comprehensive long-term plan to decarbonize our economy and future proof New Zealand and the Pacific.**

New Zealand must not be left behind. Using a long-term plan to decarbonize New Zealand's economy by 2050 comes with enormous opportunities. Not least among these are major opportunities to improve health and life satisfaction, which are inextricably linked to a functional economy.

New Zealand not only needs domestic cohesion in its planning to fully decarbonize our economy; it needs to own up to its international responsibilities and create a plan to meet our 2030 target. The exceptionally high standard of living available to many in New Zealand has eventuated through carbon intensive practices. Duplicitous (or 'creative') accounting to maintain the damaging status quo is unacceptable; it's time to properly account for our contributions to the carbon budget at home and abroad. To achieve full decarbonisation, New Zealand should establish an independent climate commission that can be a leading authority on climate change and climate action in New Zealand.

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

**Yes.**

The 'one-for-two' deal needs to be removed in order to incentivise businesses in reducing New Zealand's emissions and planting trees, whilst providing businesses with certainty. The negative impacts of climate change on our farming industry and on our coastal communities should be avoided by committing to modest action now, in accordance with the government's 2030 target.

The current approach will no longer suffice. If we value our reputation and our standing in the world, and the privileges we currently enjoy (for example, trading relationships), we need to make up for lost time and move to full surrender obligations.

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

**N/A**

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

**This should be implemented before the end of 2016, and as soon as possible.**

The one-for-two deal should move to full surrender obligations before the end of 2016 in order to reap the benefits of a decarbonized economy. With low oil prices and carbon prices, now is the best time to remove the deal; as the prices for both will likely increase. The government can no longer continue to abdicate responsibility for giving businesses clear indicators for change.

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

There are ways to manage the transition without watering down the carbon price. Tax cuts could be used to buffer the impacts on low-income houses.

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

**Until the one-for-two deal is removed in 2016, the fixed price option should be set at \$25. After the removal of the one-for-two deal, the fixed price option should either be removed or increased, whilst strengthening the NZU price.**

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

**The \$25 fixed price should either be removed or increased to reflect a meaningful level – for example, the social cost of carbon. The US EPA has proposed that the social cost of carbon be estimated to be \$60 NZD (central estimate), which could increase in 2020.**