

From: [REDACTED]
To: [NZETS Review](#)
Subject: 00054 FW: ETS REVIEW
Date: Saturday, 30 April 2016 5:02:09 p.m.

NZ ETS Review Consultation

Thank you for this opportunity to make a submission on the NZ ETS.

I am a forestry professional and have been working with business opportunities relating to NZ's climate change policy and since 2003.

My company (Permanent Forests Ltd) focuses on investment opportunities associated with managing forests for carbon sequestration and other environmental benefits. We have worked for major investment overseas funds and NZ emitter industries, and have designed several 100,000+ ha PFSI & ETS forest sequestration programmes, and we have pioneered trading of PFSI carbon offsets into NZ and international compliance markets as well as voluntary markets.

The current NZ Government has elected to make the ETS the sole vehicle for NZ's efforts to reduce its net emissions and thereby meet its UNFCCC commitments.

The rationale of carbon markets is that a carbon price will efficiently incentivise change toward a more energy efficient economy (ie lower net per capita emissions) or alternately provide for sourcing carbon offsets so as to reduce net emissions cost effective as cost effectively as is possible.

The NZ ETS has had a 'test run' under CP1 Kyoto rules. It failed to achieve any meaningful emission reductions across our economy (or generate real carbon offsets), but worse has created deep cynicism amongst carbon market players and the financial sector, and expectations are now set that the ETS is a farce, it does no real work, carries no responsibility, and provides for cost avoidance, arbitrage, playing the market, but is too risky for serious investment engagement.

For NZ emitters the *raison d'être* is to avoid cost, do as little as possible, and play the markets and grab arbitrage profit opportunities wherever possible. All this is divorced from and counter-productive to the intended purpose of the ETS, to set NZ on a path to significantly reduce its per capita emissions.

The challenge is for NZ to reduce its net emissions in line with the 1.5 degree C temperature stabilisation goal of the Paris Agreement. This translates to reducing our current per capita net emissions from about 18 t CO₂/an to 3 t CO₂/an in the 2050-2100 period. This is an extraordinary challenge, and will require real work (not cheating) to get there.

In the world of carbon emission reductions and offsetting, *nothing is useful unless it is honest*.

For an ETS market to provide a useful vehicle for massive emission reductions investment and offsetting there must be **certainty of a meaningful carbon price over an extended period**. Without this price certainty the investment community will treat this as toxic territory to

beware!.

NZ has the opportunity to learn from its recent ETS debacle. There is no point in tinkering with the detail of the current scheme when fundamental changes are required to put it right. The fundamentals need to be addressed first.

Below are some suggestions.

Cross party commitment is required on certainty of a meaningful carbon price (range) until at least 2050, otherwise the required long-term planning and strategic investment will not happen.

Carbon price (range) should have a floor price and a cap price. Suggest start now with a \$15 floor and \$25 cap. The \$10 range is sufficient to incentivise economic efficiency.

Exclude all foreign offsets from the NZ ETS until we have our domestic house in order. Insist that carbon offsets must be real, proven, measurable, independently audited.

Recognise that *carbon offsets are not created equal*. PFSI offsets for example have surety of being long-term, and PFSI forests located on environmentally problematic land types can deliver considerable additional environmental benefits for NZ Inc.

NZ Emitters should be required to buy a percentage of their offset requirements from PFSI forests.

The 2:1 subsidy needs to be stopped.

Free NZU allocations for export exposed sectors should stop. These sectors should only be required to surrender offsets to cover a reduced % of their total emissions (eg 10% ...up to 40%) but not be given free allocations with which to play the market (which causes distortion and arbitrage).

The agri sector should be brought back into the ETS, with surrender requirements scaled up from a low starting level to full responsibility over a relatively short period (eg 10-20 years).

The ETS (and carbon price) should be regulated by an independent commission with full statutory authority to meet climate goals (so as to be beyond political interference, or pressures from business lobby groups)

Pre 1990 forests and conservation estate forests should be included within the ETS to realise the opportunity to manage these forests more effectively for carbon sequestration.

It needs to be recognised that long term carbon forests located on about 1.3 million ha of NZ's most environmentally problematic lands can offset up to half of NZ's current level of emissions for the next 50 years. Every possible policy should be deployed to achieve this.

[REDACTED]

[REDACTED]

Managing Director
Permanent Forests NZ Limited
PO Box 34, Lyttelton 8841, New Zealand

[REDACTED]

Web: www.permanentforests.com

