

# New Zealand ETS review 2015/16 consultation



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

Answer 1: Unsure

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

Answer 2:

New Zealand needs a comprehensive plan to de-carbonise our economy, including how we will meet and exceed our 2030 target. The ETS review needs to be integrated with this rather than done in isolation. Energy independence is a significant factor which should be considered - imported crude oil just isn't a good long-term strategy. Neither is locally-sourced crude, for the massive consequences of any error.

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:

The time for 'transition measures' is well and truly over - the world is committed to cutting greenhouse gas emissions and New Zealand needs to make up for lost time. Stronger carbon prices are already in place in many other countries and regions. Removing the 'one-for-two' deal will better meet the objectives of the ETS by reducing New Zealand's net emissions and helping meet our international obligations.

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

Answer 4:

My business deals with information, so is relatively isolated from carbon pricing. We source our electricity from Meridian because of their commitment to renewable sources.

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

Answer 5: a) 2016

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. The sooner New Zealand moves to full surrender obligations, the sooner the benefits will materialise and the more it will help to meet our emissions reduction targets. Carbon prices need to rise above a threshold of \$15 to stimulate forest planting, which will be key to helping meet our 2030 target. Moving to full surrender obligations will help strengthen prices.

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

Answer 6: Unsure

6A. Please explain your answer:

The \$25 price cap (fixed price option) could be kept in place until the end of 2016 to mitigate potential short-term price shocks, but should be either removed or steadily increased from then on. NZIER's modelling shows that keeping the \$25 price cap in place could severely restrict potential net emissions reductions, while removing it would have only modest economic impact.

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:

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

Answer 8:

If a price cap is to be kept it should be set at a meaningful level - for example, benchmarked to the 'social cost of carbon', currently assessed by the US EPA at around NZD\$60 (central estimate).

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

Answer 9: No

9A. Please explain your answer:

My business deals with information, so is relatively isolated from carbon pricing. We source our electricity from Meridian because of their commitment to renewable sources.

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

Answer 10:

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

Answer 11:

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:

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

Answer 13:

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

Answer 14:

15. What are your reasons for the above answer?

Answer 15:

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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:

16A. Please explain your answer:

17. Should auctioning be introduced in the NZ ETS?

Answer 17:

17A. Please explain your answer:

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

Answer 18:

18A. Please explain your answer:

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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:

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

Answer 20:

20A. Please explain your answer:

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

Answer 21:

21A. Please explain your answer:

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

Answer 22:

22A. Please explain your answer:

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

Answer 23:

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

Answer 24:

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

Answer 25:

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

Answer 26:

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:

28. Please comment here

Answer 28:

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