

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 | Blake Foster |
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Submission Form

Context and drivers for the review

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

Yes

yes

No

Unsure

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

entry of agriculture, free allocation levels of NZUs to industry, a carbon price floor to prevent prices collapsing again.

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

yes

No

Unsure

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.

We expect positive impacts from a more stable supply and demand balance in the ETS, particularly with respect to any rise in carbon prices. If prices rise to \$20/NZU or higher, we would consider planting new areas of forest and/or registering additional post-1989 forest land in the ETS.

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

a) 2016

2016

b) 2017

c) 2018

d) other – please specify

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.

The ‘1-for-2’ surrender obligation should be removed as soon as possible. This could take place in 2016 if legislation is passed to enable full surrender obligations to take effect from 1 July 2016 or, at the latest, 1 January 2017. There is no significant additional complexity involved in accounting for this change for a partial or full ETS accounting year.

The immediate move to full surrender obligations is important for two reasons. First, this transitional measure was expected to expire in 2012 and has been extended for an additional 3 years already. This has led to significant market distortions and continues to limit carbon prices through reduced demand, which in turn reduces the economic incentive to plant new forests. Second, the Crown will incur significant fiscal risks if the current surplus of banked NZUs remains in the NZEUR after 2020, so moving to full surrender obligations will create sufficient demand to reduce this banked surplus before 2020. If the ‘1-for-2’ provision remains in place this NZU surplus will remain and so will the fiscal risk to the Crown.

Managing the costs of moving to full surrender obligations

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

Yes

No

no

Unsure

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

b) lower the fixed price option

c) gradually move to full surrender obligation

d) other methods.

No management of price movements should be necessary. No changes were made to avoid the loss of value to forest owners when the price fell from \$21/NZU to less than \$2/NZU, so we should take the same approach to price rises. That is how markets work. If price management is required this should only be done by leaving the current fixed price option at \$25 but some

deadline should be provided for the lifting or removal of this transitional measure as part of this review.

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

The fixed price option should stay the same or should rise progressively by at least \$5 per year to 2020.

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.