

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	██████████
Organisation (if applicable)	Rotorua Lakes Council
Address	Civic Centre, 1061 Haupapa Street, Rotorua
Telephone	██████████
Email	████████████████████

Submission Form

Context and drivers for the review

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

Yes

No

Unsure

Please see response in question 2.

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

The government should be including agriculture etc within this review. If MfE want to use the ETS to help reduce the amount of emissions within NZ, then it should look at all emission sources.

Another driver that was not taken in to account at the start of this review was the COP21. This review should have waited until it was confirmed what NZ was signing up to and then investigate how this would effect the ETS.

Government should be planning for the long term goals of the ETS. This review seems to be focusing on the next couple of years. This lack of long term view in this document is supporting the poor performance and widely fluctuating ETS.

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

No

Unsure

I would prefer not to so that I keep a reduce cost of ETS obligation, however, I just would like a confirmed decision one way or the other.

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.

The refuse collection per household will increase by \$2.08/yr. This is based on an average house producing 350kg of waste per year and full surrender of units at \$5 per unit with a coefficient of 1.19. If the unit price increased to \$50 per unit, then the cost per household will be \$20.83.

Any company facing an increase in cost of ETS will just pass the cost on to the customer with the general rate payer picking up all increase in cost.

Currently a large investment would have to be undertaken if applying for a UEF with the technology relying on an increase in cost for OPEX and thus still increase the cost to the customer. There is a lack of long term insurances within the ETS to be willing to invest in any large CAPEX projects that may encourage UEF and better technology.

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

a) 2016

b) 2017

c) 2018

This should be the earliest time. Again, full submission also depends on the potential to incorporate international units which will drive the price down. If international units are allowed (as indicated in the near future) then full surrender obligation can be linked to this. Having full surrender obligations occurring should only take place with a stable market with a well defined future. The fact that government does not know what is happening in the ETS in 2016 then this is clearly a unstable market that is very susceptible to price shocks.

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.

If full surrender obligations are applied, it would be very useful to have a lead in period of a couple of years so that an increase of cost can be planned and to also allow time to assess the cost implications of technology and UEF. If a time frame of 2018/19 for full surrender is applied this gives time to investigate best technology, find CAPEX and plan on how the cost will affect the customer.

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

Would be useful.

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

The fixed price should be maintained for the next few years. If any increase is decided, this should be introduced gradually over several years.

b) lower the fixed price option

This will potentially reduce the value of the ETS scheme.

c) gradually move to full surrender obligation

This should be over several years.

d) other methods.

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

Keep as is. The fixed price surrender value should only increase in a stable market. If it was to change, then a full review should be undertaken (in a stable and known market) to understand the impacts and how this helps NZ to meet its international obligations.