

New Zealand ETS review 2015/16 consultation



Copy of your submission

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

Answer 1: Yes

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

Answer 2:

a deliberate focus on afforestation as this is key to assist NZ's carbon future....with other benefits associated i.e Green branding.

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:

when the ETS was first introduced, these sectors factored in the \$25 p/ton into their pricing...this was documented and reported in the media...following the drop in the carbon price, these sectors have not adjusted this \$25 p/ton component and passed any rebate to consumers....so there will be no/minimal cost impact on them other than starting to be accountable for the costs they previously have profited from.....not making these sectors fully accountable will also provide no catalyst to look at their businesses and invest, or move, towards more futuristic solutions.

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

Answer 4:

Minimal to nil cost impact.....opportunity to use carbon neutral branding....possibility to develop new products or solutions to compliment a carbon sector

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.

a seven year subsidy for the sector is an indictment on our willingness to make this work.... as mentioned above, the sectors have accounted for this cost of meeting their compliance costs since 2008 and should be made to be properly accountable.

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

Answer 6: Yes

6A. Please explain your answer:

this refers back to a key driver i.e. stability. There is a need for a floor price, in addition to a Govt buy price [Vs cap price]....i.e. \$20 floor - \$25 Govt buy, for the first 2 yrs.

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

New Zealand ETS review 2015/16 consultation

Copy of your submission



Answer 7: d) other methods - please specify

7A. Please explain your answer: per Q 5 & 6 above.

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

Answer 8:
for stability, and to mitigate price shocks, it should be a floor \$20 and Govt buy price of \$25

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

Answer 9: No

9A. Please explain your answer:
other than fuel, we are very small consumers of other services/products supplied by emitters.

page 2

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

Answer 10: not really applicable to us.

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

Answer 11:
other than the agricultural sector, who are yet to find a way to readily manage emissions, I dont agree with any subsidy for emitters....there is no economic basis to continue with subsidies to emitters, plus, subsidies go against everything the Govt stands for ie TPPA

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:
again - dont agree with ongoing subsidy, other than for agriculture. Regardless, I would consider investment in forestry sinks, personally and for the business.

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

Answer 13:
greatly....presently there is little/no incentive to invest in this sector. It is something I would like to do [personally/business] once it becomes economically viable to do so as it is a dominant factor given the desire would be to establish a carbon sink...this requires a higher carbon price and stability [on future of ETS and a floor price]....I do feel the price will continue to grow over the next 12 months once sensible adjustments to the ETS are made.

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

Answer 14: Yes

15. What are your reasons for the above answer?

Answer 15:

JV programs with the Govt to establish carbon sinks by opening up marginal land owned by the Govt.....financial assistance with planting and low interest loans on carbon sinks.

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:

- a) restrictions on where units can be sourced from (location of and/or types of projects)
- b) restrictions on how many units can be surrendered

16A. Please explain your answer:

critical or the NZ ETS will be undermined [as it became with the influx of grey credits at \$1 or less]...the NZ ETS should, like other countries, ensure a min 80% of emitter sourced carbon credits are sourced locally [nzu's]

17. Should auctioning be introduced in the NZ ETS?

Answer 17: No

17A. Please explain your answer:

not initially - it is a tool the Govt can use to stimulate/manage the market should it become necessary. Early entry of auctioning may create uncertainty and price volatility.

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

Answer 18: c) other

18A. Please explain your answer:

entry too early would stifle any price rise to a level necessary.....if introduced later, it may assist provide supply to the market where there is a shortage of nzu's..thereby smoothing out price volatility.....this should be its main aim i.e. ensure supply in the market to meet needs [if infact we are short on our domestic needs] and smooth ut price increases.

page 3

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?

New Zealand ETS review 2015/16 consultation



Copy of your submission

Answer 19: dont understand question

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

Answer 20: a) minor

20A. Please explain your answer:

no real impact on compliance or use of consumables [power, fuel].....we operate NZ's largest insurance facility for timber and carbon forestry plantations. A lower carbon price has reduced the insured values of forests...due to good growth, the impact has been negligible. We also have tools in place ready to implement should the carbon price rise to ensure our clients insurance costs do not increase proportionally.

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

Answer 21: Yes

21A. Please explain your answer: for the reasons previously covered off

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

Answer 22:

- a) upper price limits (eg, fixed price option, or a price ceiling implemented through an auctioning mechanism)
- b) lower price limits (eg, price floor)

22A. Please explain your answer:

Both are essential for the interim period [2yrs]. Again lends itself to the stability and investment issues so critical to the market.

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

Answer 23:

ensuring we dont fall behind international prices.....implementing an annual declaration from NZU account holders of 'Free' nzu's held i.e. unencumbered...then excluding the commercial foresters banked nzu's from assessment of the supply/demand equation....pipeline due to afforestation....accumulating surrender liabilities.....considering making surrender insurance necessary to financially protect the Govt from exposure.

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

Answer 24: Yes

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

Answer 25:

per above, suggest annual declaration of NZU account holder of their 'free' credits i.e. commercial foresters may receive large quantities of nzu's but in reality can only trade 5%..meaning the other 95% of nzu's cannot be traded.

New Zealand ETS review 2015/16 consultation

Copy of your submission



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

Answer 26:
public awareness of technologies available...cost....quality of solutions....A Govt guarantee [or A rated party] of providers to give confidence to use/purchase

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:
create an environment for development of tech's i.e. funding grants, lower tax rates..... also continuity is an issue as buyers will want some surety the provider[s] will be around long term to provide service and support.

28. Please comment here

Answer 28:
congratulations for getting here.....the next step is to see the ETS fulfil its reason for being. It is a very good model and does not need much correction in order to again lead the world. We have had 8 yrs of watching things from the sidelines...there will never be a better time to make the important changes and do the right/best this for NZ.

Name [REDACTED]

Organisation (if applicable) Sage Partners Ltd

Address 12 McColl St, Newmarket

PO Box 10243 Dominion Rd, Mt Eden

Telephone [REDACTED]

Please enter your email address to receive a copy of your submission admin@sagepartners.co.nz