

## Individual Submission to NZ ETS 2015/16 Review – Liz Springford

### Overall Comments:

The NZ government urgently needs to broaden thinking around emissions reductions and climate change. Broader thinking means understanding that:

1. dangerously limited atmospheric space is a non-negotiable physical reality – which like gravity, we ignore at our peril
2. the longer we have delayed, the more we need to move quickly now to invest in infrastructure, understanding and behaviour change – for the zero net emissions future the world agreed upon just months ago
3. much more ambition is needed by NZ as wealthy high per capita emitters and by the world generally, to stay within 2°C warming, let alone safely within 1.5°C
4. global climate changes will cost NZ much more than emissions reductions and are ultimately not adaptable – the cheap course of action is rapid emissions reduction
5. there are considerable co-benefits (especially immediate health gains) from domestic emissions reductions which have yet to be calculated in government cost-benefit analysis
6. NZers have no more right to pollute than any other nation – and we will face increasing pressure to stop free-loading as a wealthy nation
7. NZ is a small open economy affected by global downturns and instability – being a lifeboat in a sea of widespread life-threatening climate changes is a risk in itself
8. climate changes hurt the most vulnerable first and worst around the world and within NZ
9. pressure will grow to commit to 1.5°C warming and stronger targets sooner – both internally and externally
10. emissions prices will escalate internationally – most of our emissions reductions need to be domestic and the sooner the better to future-proof ourselves and save costs
11. we are especially exposed with our high emissions farming and tourism export earnings
12. our international customers will seek to reduce their purchasing emissions – NZ urgently needs to reposition with zero emissions land use and as a low/zero emissions food producer
13. NZ's ETS is just one tool to rapidly reduce emissions – we need cross-party legislation to set much more ambitious targets (net emissions reduced by at least 40% on 1990 levels by 2030, and 100% by 2050) and an independent Climate agency to set milestones, take action and report annually on reductions
14. we need an urgent moratorium on high emissions infrastructure and permits (including motorways and fossil fuel exploration and extraction), plus climate-protecting changes to the Resource Management Act
15. we need research, policies and programmes developed with NZ's most vulnerable households for a fair healthy transition to the zero net emissions future
16. we can become a healthy and thriving food-producing energy-independent nation
17. being realistic means being ambitious – much more ambitious, including NZ's ETS.

### ETS 'Other Issues' Review questions:

#### Future cost of emissions and business planning:

9. Do you consider the future cost of emissions in your business planning? Not applicable

10. What would improve your ability to take into account the future cost of emissions in your business planning? Not applicable

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

Free allocation rates could start to be slowly phased out now – including the 'free allocation' (and future-proofing risks) to agriculture by excluding our biggest emission source from the ETS.

Agriculture has to be included – we need an all gases, all economy ETS. Southland hurt badly with

the abrupt withdrawal of farming subsidies in the 1980s – including my hometown. We can't afford repeated protectionism – it needs phasing out now, to avoid abrupt withdrawal later.

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? Not applicable

#### **Forestry investment:**

13. How does the carbon price impact your forestry investment decision-making? Not applicable

14. Are there opportunities for the NZ ETS to increase incentives for forestry investments, outside of NZU price? Yes/No/Unsure No comment

15. What are your reasons for the above answer? If you answered yes, we would be interested in comments on: a) any barriers to participating in the NZ ETS that could be reduced b) other factors. No comment

#### **International units:**

16. If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use? 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 c) others

If any international units allowed into NZ's ETS in the 2020s, they absolutely must be verifiable transparent real emissions reductions. NZ needs to clean up the impact of the largest proportionate number of corrupt credits allowed into our ETS already. This is likely to impact on our access to international ETS markets and our overall international credibility. 'Clean up' means not using these credits to meet obligations and raising our ambition in emissions reductions – so we neither benefit nor are seen to benefit, from corrupt credits. If indeed NZ is allowed to trade in international emissions markets from 2020, a decision can be made then as to how quickly and how much to allow international units. That decision would be made mainly on how successfully NZ is investing in zero/low emissions infrastructure within NZ, behaviour change, and the rate of forest plantings, to future-proof our country.

#### **Auctioning:**

17. Should auctioning be introduced in the NZ ETS? If yes, when? a) in the next two to three years b) within five years (before 2020) c) after five years (post 2020). No comment

18. What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced? a) to align supply in the NZ ETS more closely with our international target b) to more actively manage NZU prices c) other (please explain). No comment

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?

No comment

#### **Price stability:**

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

a) minor b) moderate c) significant Not applicable

21. Do you think measures should be in place to manage price stability? Yes, but with caution.

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

a) upper price limits (eg. fixed price option, or a price ceiling implemented through an auctioning mechanism), b) lower price limits (eg. price floor), c) other (please explain).

Lower price limits appear essential for certainty – especially for our forestry and farming sectors who plan long term and iwi who cannot afford to put Maori land at risk after hard-won Treaty settlements. Cross-party support by at least the four largest political parties appears essential for long-term certainty.

23. What should the Government consider when managing price stability? A minimum price is the priority. If indeed NZ is allowed to trade in international emissions markets from 2020, a decision can be made then as to how quickly and how much to allow international units. That decision would be made partly on price stability grounds, as well as on how successfully NZ is investing in zero/low emissions infrastructure within NZ, behaviour change, and the rate of forest plantings, to future-proof our country. However, the reality is that emissions prices will escalate if global climate changes are to be kept within humanly adaptable levels – and if they don't, it will cost NZ's economy even more. So there is a very limited case for shielding NZ's economy from rapidly rising emissions prices.

**Administrative efficiency:**

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

25. Can you provide further information to support your answer? We would be interested in your comments on: a) complexities involved in NZ ETS participation, b) penalties for breaching NZ ETS obligations, c) any technical or operational changes that could be made to the NZ ETS to improve efficiency.

I note that business feedback at a Wellington public briefing suggested considerable scope for much easier and more effective operation of the ETS. Feedback included:

- the online interface could be better designed so that it was much simpler and faster for businesses to use (especially small businesses)
- much knowledge was required for infrequent interactions
- the employee responsible for ETS compliance could be distant from decision-making which influenced emissions (so the ETS becomes simply a source of compliance taxes – not a mechanism to rapidly reduce emissions and prepare business for a zero emissions future)
- too much aggregation so there was no cost differentiation between those who used coal and those who used gas – despite the significant differences in climate impact.

**Barriers or market failures:**

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

Repeating the observations as above - business feedback at a Wellington public briefing suggested considerable scope for much easier and more effective operation of the ETS, including:

- the online interface could be better designed so that it was much simpler and faster for businesses to use (especially small businesses)
- much knowledge was required for infrequent interactions
- the employee responsible for ETS compliance could be distant from decision-making which influenced emissions (so the ETS becomes simply a source of compliance taxes – not a mechanism to rapidly reduce emissions and prepare business for a zero emissions future)
- too much aggregation so there was no cost differentiation between those who used coal and those who used gas – despite the significant differences in climate impact.

27. If so, is there a role for the Government in addressing these barriers or market failures and how should it do this?

Yes absolutely. The ETS must be easy as possible to use and understand. The ETS must be a key influence on decisions by senior business management and small business operators alike.

Administration needs an extremely business-friendly ethos – the ETS is a tool to support NZ's businesses in transitioning as easily and quickly as possible to the realities of our zero net emissions future. The businesses who adapt quickly will be the most successful. Widespread publicity and easy access helplines are in NZ's best interests.

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