



The New Zealand Emissions Trading Scheme

Consultation on proposed updates to the Climate Change (Liquid Fossil Fuels) Regulations (2008): Reporting of international sales by opt-in participants

Purpose

The purpose of this consultation document is to seek your views on proposed amendments to the Climate Change (Liquid Fossil Fuels) Regulations 2008 (the LFF Regulations). The purpose of the LFF Regulations is to regulate the collection of information and calculation of emissions for the purpose of surrendering units by obligation fuel participants and opt-in participants in the New Zealand Emissions Trading Scheme (NZ ETS).

The LFF regulations require both obligation fuel participants and opt-in participants to report emissions and surrender emission units arising from the sale of liquid fossil fuels (LFFs). However, the LFF regulations contain an inconsistency concerning reporting emissions from the sale of fuel to international customers by each type of participant.

The proposed changes seek to remove this inconsistency.

This consultation will close on 15 July 2015 and any resulting amendment regulations are planned to be published in the *New Zealand Gazette* in September 2015.

Scope

This consultation document covers a proposed amendment to the LFF regulations to remove an inconsistency between the requirements for opt-

in and obligation fuel participants to report emissions from international sales.

This proposal is one of a series of technical regulation proposals under consultation in 2015. Please see [consultation page](#).

Summary of proposed changes

Changes are proposed to align the requirements in regulations 5-8 that apply to both obligation fuel participants and opt-in participants collecting information and reporting emissions from the sale of liquid fossil fuels.


Background

The LFF Regulations requires obligation fuel participants to first collect specified information regarding sale quantities and other matters, and then report that information so emissions obligations can be calculated.

1. Removing an inconsistency between mandatory and opt-in obligation fuel participants

Background

In 2013 the LFF Regulations were amended to apply the requirements for obligation fuel participants to opt-in participants (who were previously excluded), thus broadening the



application of the Regulations. However, a technical error was made in this amendment and as a result the requirements for opt-in participants reporting sales of obligation fuels to international aviation and maritime uses and fuel exports are different to those applying to obligation fuel participants.

Status Quo

At present, mandatory participants can deduct emissions relating to fuel sold for international use from their emissions returns and opt-in participants cannot.

Problem definition

The Climate Change Response Act 2002 does not impose a surrender obligation for fuel that results in emissions outside New Zealand. This includes exports of fossil fuels or their sale for use in international aviation or international maritime uses.

The inability of opt-in participants to deduct international sales from their emissions returns means that opt-in participants are disadvantaged compared to mandatory participant competing in the same market.

The inconsistency was not intended as the two types of participants were intended to be treated equally. As a result, the inconsistency has equity and integrity implications for the NZ ETS. The problem can be addressed by a minor and technical change to ensure that mandatory participants and opt-in participants have the same ability to deduct international sales from their emissions returns

Why are we seeking your views?

This consultation is required to ensure that all obligation fuel participants are aware of the proposed changes. In addition, feedback ensures the Minister has all relevant information when considering how best to address this problem.

Options analysis

Two options are being considered concerning this proposal:

Option 1

Amend the LFF regulations to enable opt-in obligation fuel participants to deduct international sales from their emissions returns. The new

reporting obligations for opt-in participants would be back-dated to have effect from 1 January 2015.

Option 2

Do nothing/status quo where no changes to regulations occur.

The assessment of each option has potential implications for obligation fuel participants and for efficient operation of the market for sales of obligation fuel to international customers.

Option 1

Option one would enable opt-in participants to deduct obligation fuel sales from their emission reports in the same way mandatory participants can. Mandatory participants' emissions obligations will not be affected by this amendment.

If Option 1 is proceeded with, the amendment regulations will apply from 1 January 2015 and to ensure they apply to reporting of 2015 emissions.

This means the amendment regulations will have retrospective effect. Section 163(3) of the Climate Change Response Act 2002 will be required to enable this change to have effect from 1 January 2015.

Option 2

Retaining the status quo does not address the inconsistency between obligation fuel participants and opt-in participants and would result in ongoing disparity between the two types of participants. As a result the two types of participant would continue to be treated differently though they are competing in the same market.

Preferred option

The preferred option is Option 1 - to amend the LFF regulations to ensure consistent NZ ETS reporting across mandatory and opt-in obligation fuel participants.

Officials are aware this issue affects at least one opt-in participant and is interested in other participants' feedback on the proposal (see questions overleaf).

Implementation timetable

If Option 1 is proceeded with, the amendment regulations would proceed at the same time as



the other technical amendment regulations planned for 2015 in accordance with the following timetable:

Consultation	2 July 2015 – 15 July 2015
Regulations amended	Prior to 30 September 2015
Regulations in force	1 January 2015



Consultation Questions

Changes to emissions reporting regulations the LFF regulations regarding international sales

1. Do you support the proposal to ensure that opt-in and mandatory obligation fuel participants face consistent NZ ETS reporting obligations regarding international sales?
2. Are there any matters regarding the detail of Option 1 that you would like considered before a decision is finalised?
3. Are there any issues relating to the timing of this proposal (applies to 2015 reporting) that you would like considered?

Have your say

Please send your submission by email to:
etsconsultation@climatechange.govt.nz
If you are unable to email your submission then
please post it to:

ETS Regulations updates 2015

Ministry for the Environment
PO Box 10362, Wellington 6143

About the submission process

The closing date for submissions is:
5pm Wednesday 15 July 2015.

Find out more

www.climatechange.govt.nz/ets.
Phone: 0800 CLIMATE (254 628)



Next steps

Submissions will be analysed by the Ministry for the Environment and reported to the Minister for Climate Change Issues for final decisions. Updates about the process will be provided on the Climate Change website: www.climatechange.govt.nz.

About submissions

The Ministry for the Environment may publish all or part of any written submission on the Climate Change website. We will consider you to have consented to such publishing by making a submission, unless you clearly specify otherwise in your submission.

The content of submissions is subject to the Official Information Act 1982. Copies of submissions sent to us will normally be released in response to an Official Information Act request from a member of the public. If you object to the release of any information contained in your submission, please clearly state this in your submission, including 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 document.

If you do not wish your name and any identifying details in your submission to be released in response to a request, please clearly state this in your submission. At your request, we will make your submission anonymous before it is published on the climate change website. However, please note that the Ministry for the Environment will not be able to withhold any information if doing so would contravene the requirements of the Official Information Act.

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