



The New Zealand Emissions Trading Scheme

Proposed technical updates to Climate Change Response Act 2002 regulations for 2019

About this consultation

New Zealand Emissions Trading Scheme (NZ ETS) regulations need to be amended periodically to update technical factors, keep the system up to date, and address anomalies when they arise. This helps ensure the NZ ETS remains fit for purpose and as accurate as possible.

This update, while important to some individual emitters, generally has relatively small economic impact and usually only involves changes that improve the operation of the NZ ETS under its current settings.

We want to know your views on proposed technical updates to three regulations and one order under the Climate Change Response Act 2002 (the Act) as it applies to the NZ ETS. This document takes you through those updates and asks you to consider related issues.

Your feedback will help us develop a complete knowledge of the issues and options and their impacts. The document's sections explain the issues and proposals, and provide questions to help us fill information gaps as well as measure support for the proposals.

The two issues explored in detail are:

- exports of synthetic greenhouse gases (SGGs) in refrigerated shipping containers
- imports of coal-based products such as activated carbon and anthracite.

Note this consultation is not related to the Climate Change Response (Zero Carbon) Amendment Bill or the proposed improvements to the NZ ETS that were announced in December 2018.

Background

The NZ ETS is the Government's principal policy response to climate change and was established by the Climate Change Response Act 2002. The objectives of the Act are to support and encourage global efforts to reduce greenhouse gas emissions by:

- helping New Zealand meet its international climate change obligations
- reducing New Zealand's net emissions below business-as-usual levels.

People and businesses can participate directly in the NZ ETS in three ways:

1. Some will have obligations to surrender emission units to cover their direct greenhouse gas emissions or the emissions associated with their products. To do this, firms need to calculate the emissions that result from their activity over a calendar year, report to the Environmental Protection Authority (EPA) by the end of March the following year, and acquire and surrender emissions units.

This effectively puts a price on greenhouse gas emissions. Regulations, such as the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (SEIP Regulations), set out the requirements for calculating emissions. This document contains three proposals that affect some people with these obligations.

2. Some may have opportunities to earn emission units by carrying out an eligible removal activity. The purpose of providing for people to claim emissions units for emissions embedded in a product, or 'removed', is to ensure they do not pay NZ ETS costs for emissions that do not occur in New Zealand.

A removal activity is one in which an eligible product must embed, permanently or at least until exported, a substance that would otherwise result in the emission of greenhouse gases to the atmosphere. Those emissions must also be included in an emission return filed under the NZ ETS. The removal activity must result in a reduction of emissions reported in New Zealand's Greenhouse Gas Inventory (the Inventory).

These activities are set out in Schedule 4, Part 2 of the Act, and include embedding emissions in a product (eg, methanol), storing carbon dioxide (CO₂) after capture, and exporting liquefied petroleum gas and SGG. There are two proposed changes to the Climate Change (Other Removal Activities) Regulations 2009 (Removals Regulations).

3. Some will be eligible for allocated emission units under the scheme. They can participate in the scheme because, if they apply for and receive an allocation, they can trade their emission units. The regulations underpinning these allocations are not impacted by the proposed changes.

NZ ETS regulations

A set of 11 regulations and orders govern the efficient and accurate operation of the NZ ETS. The proposals in this document affect three of these regulations and one order. NZ ETS regulations contribute to the objectives of the NZ ETS and must be accurate, efficient and clear:

- The objectives of the NZ ETS are to help New Zealand meet international climate change obligations and reduce New Zealand's net emissions of greenhouse gases below business as usual levels.¹
- Accuracy requires ensuring the methodologies and emissions factors used in the regulations are as close as practically possible to those used in the Inventory, otherwise participants or the Government will incur costs for emissions that are either not occurring or are not covered by New Zealand's international obligations.
- Efficiency concerns administrative and compliance costs for participants and the Government.
- Clear means the regulations must be unambiguous and consistent, so the obligations and costs imposed on regulated parties are equivalent and unavoidable.

¹ Climate Change Response Act 2002, section 3(1)(b):
<http://www.legislation.govt.nz/act/public/2002/0040/latest/DLM158590.html>

Summary of proposed changes

A summary of the proposals in this document is below and in table 1.

Exports of synthetic greenhouse gases in refrigerated shipping containers

The regulatory system is not achieving the intended outcome for exports of SGGs in the refrigeration systems of refrigerated shipping containers (reefers). SGGs in reefers are not intended to carry emissions costs with them when they are exported, as those eventual emissions are not included in New Zealand's international obligations. However, because of a combination of policy settings, reefer exporters cannot receive emission units to offset emissions costs. Exporters are incurring emissions costs and New Zealand firms who service reefers face competitive disadvantages.

Proposed amendments to the Climate Change (General Exemptions) Order 2009, the Climate Change (Other Removal Activities) Regulations 2009, and the Climate Change (Synthetic Greenhouse Gas Levy) Regulations 2013 will better achieve the outcome. We propose to:

- exclude imports of bulk SGGs from the NZ ETS from the start of 2019, where those imports are used to service reefers and re-exported
- add reefers to the list of excluded goods so that exporters will no longer be able to receive emission units for their export. This is necessary if NZ ETS costs are removed from imports
- remove reefers from the schedule of goods subject to the SGG levy when imported.

Coal-based products

Imports of various coal-based products are used for some industrial production, for environmental clean-ups and to treat air and water, including in municipal water treatment plants. There is a risk an importer of these coal-based products will exceed the threshold of 2000 tonnes of coal in a year. This would trigger mandatory NZ ETS participation, even though this coal is not imported for energy generation.

Disposal options for these products, once depleted and considered a waste product, include landfilling or combusting for energy, at which point emissions obligations arise from combusting waste. There is therefore a risk of doubling up on NZ ETS costs; at import and again on disposal through combustion. Amendments to the SEIP Regulations will fix this.

Update the default emissions factors for natural gas

The prescribed emissions factors for natural gas mines need annual updating due to chemistry changes within mines. We propose to update the set of default emissions factors (DEFs) that relate to natural gas fields. This update occurs every year and without these changes, there may be differences in how gas miners and opt-in participants report emissions.

Table 1: Summary of proposals

Proposal	Regulation	Reason	Directly affected
Improve functioning of the NZ ETS for exports of SGGs in refrigerated shipping containers by: <ul style="list-style-type: none"> • adding an exemption for the activity of SGGs imported and re-exported in reefers • adding reefers to the list of excluded goods thereby removing eligibility for exporters • removing reefers from the schedule of goods subject to the SGG levy. 	Climate Change (General Exemptions) Order 2009	To better meet the policy intention of there being no emissions costs on exported SGGs in the refrigeration systems of shipping containers	Importers of bulk SGGs People who purchase SGGs and service refrigerated shipping containers Owners, importers, and exporters of refrigerated shipping containers
	Climate Change (Other Removal Activities) Regulations 2009		
	Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013		
Ensure coal-based products that are imported for uses other than combustion for energy are not captured by the obligations imposed on obligation coal	Climate Change (Stationary Energy and Industrial Processes) Regulations 2009	Avoid double counting of emissions from imports of coal-based products	Importers of coal-based products such as activated carbon and anthracite
Update DEFs for natural gas fields	Climate Change (Stationary Energy and Industrial Processes) Regulations 2009	Increase accuracy	Gas opt-in participants

Consultation process

This consultation will close at 5pm on Sunday 16 June 2019. Once we have considered submissions, we will put final proposals to the Minister for Climate Change and Cabinet for approval. Following Cabinet approval, the amended regulations should be published in the New Zealand Gazette by late September 2019. Information on how to make a submission can be found at the end of this document.

Exports of synthetic greenhouse gases in the refrigeration systems of shipping containers

Background

Thousands of refrigerated shipping containers (commonly known in the shipping industry as ‘reefers’) are imported and exported each year.² The refrigeration systems of reefers need regular servicing, and this can include replacing any leaked SGGs. Owners of reefers can choose to have them serviced in New Zealand or an overseas port. New Zealand is the only country with an emissions price on imported SGG.

The SGG emissions from reefers while they are in New Zealand are reported in the Inventory. Those emissions are accounted for as part of our climate change targets, including our 2030 target under the Paris Agreement. However, the majority of reefer emissions occur over international waters.

² <https://www.transport.govt.nz/assets/Uploads/Sea/5a90473b0c/FIGs-report-April-2015-March-2016.pdf>

Where emissions are exported (for example as a product like coal, or in the refrigeration systems of air conditioning units) and do not occur in New Zealand they are not part of our emissions obligations or targets and are not reported in the Inventory.

The Climate Change Response Act 2002 (the Act) manages SGG in reefers in three ways:

1. The SGG levy scheme requires importers to pay a levy per reefer to the New Zealand Customs Service, unless they remain in a 'Customs Controlled Area'. In the last three years, only five reefer importers have paid the SGG levy.
2. Exporters of reefers are eligible for emissions units by performing a removal activity, as long as the reefer was not in New Zealand for less than 180 days and as long as the 1 tCO₂e per year threshold is met. No reefer exporter has applied for eligibility for this activity, so none have received emission units.
3. Importers of bulk SGG have NZ ETS surrender obligations, which creates an emissions costs for any SGG imported and supplied to persons who service reefers. Such servicers pass those emissions costs onto the reefer owner. The policy intention is that the owner can recover those costs through the removals policy if the reefer is exported and meets the criteria above.

This combination of NZ ETS obligations, SGG levy fees and eligibility to earn emissions units is the same policy approach used for other imports and exports of goods containing SGG, such as air conditioning units. It ensures any SGG that stays in New Zealand:

- has an emissions cost
- this cost incentivises emission mitigation, and
- our manufacturers are not disadvantaged by emissions costs compared to offshore manufacturers.

However, reefers have several important differences from all other imported goods that contain SGG. Almost all reefers are re-exported quickly and they pass through 'Customs Controlled Areas'. These and other differences mean the standard policy settings have problems when applied to reefers.

Problem definition

The main problem with this set of policies is exporters of reefers are incurring NZ ETS costs for emissions that occur outside New Zealand. Those emissions are not part of our international commitments or Inventory and are not intended to be included in the NZ ETS. This problem arises from the inability of a reefer exporter to recover any NZ ETS costs if the reefer has been in New Zealand less than six months due to a general exemption in the Removals Regulations regarding goods 'temporarily' in New Zealand. Reefers are not intended to carry emissions costs with them on export.

No reefer exporter has applied to the EPA for recognition that they are performing an eligible removal activity to receive emission units. Therefore all exporters of reefers are incurring costs for emissions that occur outside New Zealand.

This problem has the following outcomes:

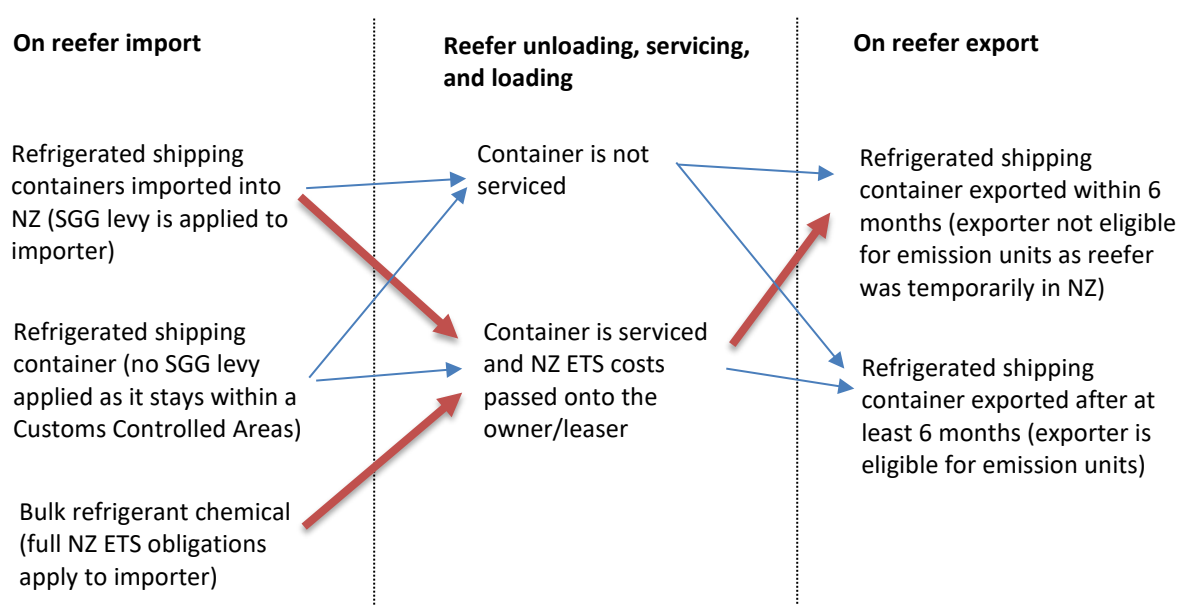
1. Exporters of goods who use reefers are sometimes having emissions costs passed onto them by the reefer owners, which disadvantages them in international markets.
2. Bulk importers of SGG are having difficulty passing on NZ ETS costs to firms that service reefers and servicing firms are sometimes struggling to recover those emissions costs through servicing fees.

- Reefer owners are choosing to have their reefers serviced in a different country because of emissions costs, therefore the NZ ETS is creating competitive disadvantages for New Zealand firms who service reefers. This, in turn, affects those who supply the service agents.

A secondary problem is an exporter from a Customs Controlled Area is eligible to claim emission units even though the reefer was not subject to the SGG levy on import, if the containers were in New Zealand longer than 180 days. This creates a net cost to the Government, where an exporter can benefit from receiving emission units without experiencing any emissions costs. However, while this negative fiscal outcome is possible, it hasn't actually occurred yet.

The bold arrows in figure 1 below show how the policy settings combine to create the main problem. Emissions costs occur from importing the reefer and then servicing it, but the exporter is unable to recover those costs on export, despite the eventual emissions not occurring in New Zealand.

Figure 1: Arrangement of policies for synthetic greenhouse gases and refrigerated shipping containers



Options

There are two policy options for resolving these problems. There are no non-regulatory options.

Option 1

One approach is to remove SGG imported and exported in, and added to, reefers from the scope of the Act. This will entail:

- removing them from the SGG levy on import by amending the Climate Change (Synthetic Greenhouse Gas Levy) Regulations 2013
- excluding the export of them as an eligible removal activity by amending the Climate Change (Other Removal Activities) Regulations 2009
- exempting the import of SGG used to service export reefers from NZ ETS obligations by amending the Climate Change (General Exemptions) Order 2009.

Removing SGG in reefers from the scope of the Act will have a minor negative fiscal cost and some environmental impacts and positive business impacts as set out below.

- The fiscal impacts will occur as a result of bulk SGG importers not surrendering some emission units. The quantity of SGG imported and used to service reefers each year is estimated to be about 70,000 tonnes of carbon dioxide equivalent, therefore will be a fiscal cost of approximately \$1.75 million per year. The changes to the SGG levies and Removals Regulations will not have any notable fiscal impacts because these have not provided material fiscal revenue or expenses in the past.
- The environmental impacts will occur as the removal of emissions pricing could reduce interest in avoiding leakage. However, SGG used to service reefers that stay in New Zealand will continue to be 'priced' by the NZ ETS. Additionally, the Kigali Amendment to the Montreal Protocol will phase down the international use of SGG in reefers. Reefer manufacturers are already responding by using new generation refrigerant chemicals and technologies.
- Business impacts will be positive because New Zealand firms that service reefers will no longer compete against firms in countries without SGG emissions pricing. Reefer owners will not be incentivised to have servicing timed for when the container is outside New Zealand simply because of the emissions cost component. Additionally, importers of reefers will not be subject to the SGG levy.
- However, importers of bulk SGG may incur some administrative and compliance costs in implementing the exemption, as evidence will need to be held to support deductions in annual emissions returns. The EPA will incur some new costs in testing that evidence. These new costs are expected to be small compared to the administrative and compliance cost-savings from the proposed changes.

Option 2

As noted above, a significant problem with the current policy settings is the inability of almost all reefer exporters to recover emissions costs other than by passing those costs onto customers. These exports are not usually eligible for emission units because the exported reefers were in New Zealand 'temporarily' (ie, less than 180 days). This puts the exporter, and the reefer servicing firms, at a commercial disadvantage compared to exporters who have their reefers serviced overseas.

One way to directly deal with this problem is to amend the 'temporarily' exclusion for reefers. If the exclusion timespan was shortened or completely removed, then exporters could recover SGG emissions costs passed onto them by applying for and receiving emission units.

However, this would also have other consequences. For instance, not all SGG in reefers has an emissions price applied on import. As noted above, most reefers are not subject to the SGG levy as they remain in Customs Controlled Areas. If emission units are claimed for all exported SGG in reefers, then many of those emission units will be windfall gains instead of compensation for emission costs.

Additionally, for accuracy, each eligible reefer export would need detailed information on the type and quantity of SGG installed in its refrigeration system. Each exporter would add up that information for their emission unit application. This represents new administrative costs, although likely this would be outweighed by the value of the emission units received. It also requires more administration from the EPA in processing applications and ensuring compliance.

Table 2: Assessment of options against criteria, relative to the status quo

Calendar year	NZ ETS objectives	Accuracy	Efficiency	Clarity
Option 1 Remove SGG related to internationally shipped reefers from the NZ ETS	No change Emissions that occur in New Zealand will continue to be included in the NZ ETS	Good Exporters will no longer incur emissions costs that are not the responsibility of New Zealand	Good Removes potentially significant compliance and administrative costs	Good Simplifies the arrangements of policies
Option 2 Allow all exports of reefers to be eligible removal activities	No change Emissions that occur in New Zealand will continue to be included in the NZ ETS	Poor Creates potential for exporters to receive emission units even if no emissions costs had been incurred	Poor Imposes potentially significant compliance and administrative costs	No change

Proposal

We propose amendments to the general exemptions order, removals activities, and SGG levy regulations to better achieve intended outcomes. The amendments will:

- exempt any bulk refrigerant import from NZ ETS obligations if used in reefers and exported
- delete eligibility for removals for any export of reefers
- remove import of reefers from the SGG levy scheme.

Next steps and implementation

It is possible to implement the amendment to the Climate Change (General Exemptions) Order 2009 retrospectively from the start of 2019. This will allow importers of bulk SGG to make deductions for 2019 activities in their annual emissions returns in early 2020. It will also avoid the imposition of unrecoverable emissions costs on most exporters of reefers for this year.

The other amendments are proposed to be implemented from the start of 2020, as applying them earlier might require returning levy payments for imports over 2019 and claw back of any emission units awarded for exports during 2019.

Consultation questions

We are interested in your views on the problems, our proposal and its implementation, and our estimates of costs and benefits. In particular:

1. What are your thoughts on the definitions of the problems and our understanding of their scale?
2. Do you agree with our proposal? If not, why?
3. Which of these options for the scope of the exemption is the best and why?
 - Option A: The exemption applies to imported SGG that can be shown to have been exported in that year. This could create a problem where some imports of SGG are not exempt as they may not have been re-exported that year. It also would create administrative costs, where importers will need to obtain evidence of the SGG used for servicing reefers that were exported. However, it offers the stronger link between import and export.
 - Option B: The exemption applies to SGG imported and sold by the importer for reefer servicing. This creates a risk that some imported SGG could enter the New Zealand

market without emissions costs, as reefer servicing could take advantage of the lower cost SGG and re-sell into the domestic market. However, it is known that due to safety concerns regarding counterfeiting, each supply of SGG carries identifying marks, therefore a chain of custody can be documented from import to end use.

4. Are there alternative policy options that resolve the problems that are not covered above? What are the costs and benefits of those options?

To ensure we fully understand the impacts, it would be helpful if you could answer these questions as well:

5. Is our understanding of how SGG is imported and used in reefers correct?
6. Have we correctly identified all the parties impacted by the problems and options?
7. If you are an importer, supplier or user of bulk SGG, is our estimate of the annual sales of SGG for servicing reefers correct? How much will this quantity change in the near future?

Coal-based products

Background

Coal-based products, including granular activated carbon and anthracite, are used as environmental cleaning agents, including for water and air purification, and in other industrial uses such as gold and hydrogen production. The uses of these coal-based products clearly differentiate them from imported and mined coal combusted to obtain energy.

Importers of coal have had NZ ETS obligations since 2010. It is unlikely that importers of coal-based products have been part of such obligations. The 2000 tonnes of coal per-year threshold for mandatory participation for coal importers means importers of coal-based products not intended for combustion are very likely to have been exempt. Although such importers can bring in large quantities for replacement or capital investment reasons, such investments are likely to have occurred before 2010 and operational requirements are considerably smaller.

Coal miners have similar obligations to importers. However, there is no domestic manufacture of coal-based products from New Zealand-mined coal.

Disposal options for coal-based products that have been spent include landfill or being combusted for energy. A better option for owners would be combustion of coal-based products for energy if the products result in the displacement of other energy sources. This would include other types of coal, and therefore the products could be sold instead of incurring landfill costs. No emissions occur from disposal in landfill.³

Problem definition

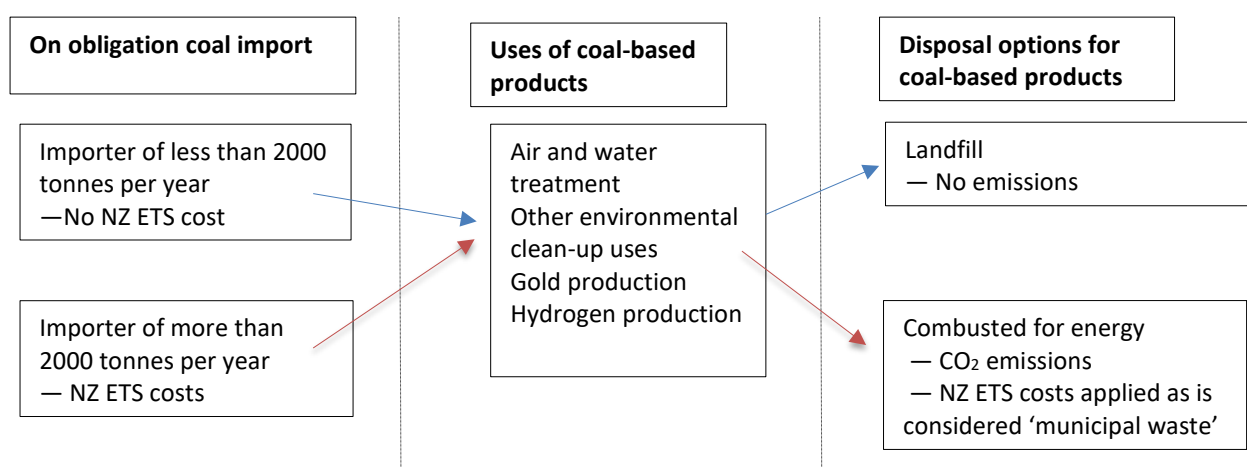
There is a risk of the NZ ETS double-pricing emissions from these products. It is possible imports of these coal-based products will increase as depleted coal-based products are replaced and as new treatment infrastructure is built, potentially in response to increased public interest in drinking water quality. There is a possibility an importer will exceed the 2000 tonnes of coal per-year threshold, creating the following problems:

³ NZ ETS costs from disposal at landfill depend on the landfill classification and on how the landfill operator manages NZ ETS costs. If disposed at a municipal landfill that applies a tonnage fee irrespective of waste composition, then all users may incur a portion of the landfill operator's NZ ETS costs, including those disposing coal-based products.

1. Double-counting emissions if another NZ ETS obligation arises on disposal through combustion.
2. Distorting the pricing of such products, where those imported in large quantities are more expensive due to the NZ ETS being imposed on importers, compared to those imported under the threshold.
3. Pricing emissions that will not occur if the products are disposed to landfill.
4. Pricing emissions on import even though the Inventory will not record them as emissions until the product is combusted for disposal after many years of use.

The bold arrows in figure 2 below show how the policy settings combine to create the first problem. Emissions costs occur from importing the coal-based products and again from combusting on disposal.

Figure 2: NZ ETS coverage of coal-based water and air coal-based treatment products



Options

Option 1

Option 1 is to amend regulations to avoid placing NZ ETS obligations on imports of coal-based products not intended to be combusted for energy, so that the NZ ETS only records and prices the emissions that occur from combusting the waste products for energy. This would resolve all of the problems above. It also aligns with the policy intent for coal's inclusion in the NZ ETS, where it is categorised alongside other fuel sources for stationary energy and industrial processes.

Option 2

Option 2 is to not require counting emissions from combusting waste coal-based products. This will prevent doubling counting but it will not address the other problems. In particular, products eventually disposed to landfill could incur emissions costs when first imported, even though the use and disposal of those products will not create emissions. Also, the problem of pricing distortions for importers will remain. However option 2 will reduce NZ ETS compliance costs for those firms that combust the waste products as they will no longer need to record quantities consumed and report emissions.

There are no non-regulatory options.

Table 3: Assessment of options against criteria, relative to the status quo

Option	NZ ETS objectives	Accuracy	Efficiency	Clarity
Option 1 Remove obligation to account for emissions when imported	No change Emissions would continue to be priced by the NZ ETS	Good Aligns emissions reported in the Inventory with those priced by the NZ ETS in both source and timing	Good Removes potential administrative and compliance costs for importers	Good Resolves interpretative issues with regulation wording
Option 2 Remove obligation to account for combustion emissions	No change Emissions would continue to be priced by the NZ ETS	Poor There would be potential for pricing some products on import that do not create emissions when disposed to landfill. Also the timing of pricing emissions would be different from when they actually occur	Good Reduced compliance and administrative costs for people who combust waste	No change

Proposal

Changes to the Climate Change (General Exemptions) Order 2009, or amendments to the definition of obligation coal in the SEIP Regulations, will achieve option 1. Our preference is to ensure imports of coal-based products are not captured by the obligations imposed on obligation coal. The problems of coal-based products are different to those resolved through exemptions, which generally manage situations where administrative and compliance costs outweigh the environmental benefit of mandatory participation. Additionally, as noted above, it was not the intention to include these coal-based products in the Act as obligation coal, because their use and timing of emissions is very different from coal used for energy.

Next steps and implementation

There are not expected to be any difficulties with implementing the proposal. It is proposed to come into effect from 1 January 2020.

Consultation questions

We are interested in your views on the issue, our proposal and its implementation, and our estimates of costs and benefits. In particular:

1. What are your thoughts on the definitions of the problems and our understanding of their scale?
2. Do you agree with our proposal? If not, why?
3. Are there alternative policy options that resolve the problems not covered above? What are the costs and benefits of those options?
4. Is the assertion there is no domestic manufacture of such products from New Zealand-mined coal correct? If not, and if you are a manufacturer, what is the quantity of coal used in these products?
5. If you are an importer or user of these products, how soon do you think an importer of these products will cross the 2000 tonnes of coal per-year threshold? How much by?

Update of default emissions factors for natural gas

Background

Natural gas miners and NZ ETS opt-in participants use the methodologies and emissions factors in the SEIP Regulations to calculate their emissions.⁴ Gas miners, using the methodologies, are required to run various tests on their gas to calculate an emissions factor specific to their field.

Opt-in participants do not perform the same gas tests as gas miners. Opt-in participants can report emissions by referring to the gas field-specific and national average DEFs that are provided in Table 10 Schedule 2 of the SEIP Regulations.⁵ DEFs allow gas purchasing (opt-in) participants to report their emissions without seeking detailed emissions factor information from the gas miner.

Problem definition

The DEFs need to be updated each year because the chemistry of natural gas from a mine is not constant. Not amending DEFs will lead to gas purchasing (opt-in) participants either inaccurately reporting emissions or having to contact gas miners for detailed information. The latter option will impose administrative and compliance costs on parties.

DEFs have been regularly updated in the past to ensure they reflect current field operations and are accurate. This involves exchange of data between the EPA and the Ministry for the Environment.

Proposal

DEFs will be updated for gas fields from emissions returns data. This potentially lowers administrative costs for both parties and increases the accuracy of the NZ ETS. Feedback from 2016 was that opt-in participants in particular (and some gas miners) strongly supported the retention and regular updating of Table 10. Updating the DEFs in Table 10 Schedule 2 of the SEIP Regulations is routine. The precise changes to DEFs can only be determined, then shared, once the EPA has reviewed the emissions returns of gas miners.

DEFs for the following natural gas classes were updated for the 2019 reporting year, and we expect the same classes will be updated for 2020:

- Cheal
- Kapuni LTS
- Kupe
- McKee
- Mangahewa
- Maui
- Pohokura
- Sidewinder
- Waihapa.

If the natural gas class you use has not been updated and you want it to be, please let us know.

⁴ An opt-in participant is a person who voluntarily takes NZ ETS obligations instead of their fuel supplier and who meets particular criteria, including volume of fuel purchased.

⁵ See Table 10 Schedule 2 of the SEIP Regulations at the end of this webpage:
<http://www.legislation.govt.nz/regulation/public/2009/0285/latest/DLM2390302.html>.

Next steps and implementation

We will estimate national and field-specific DEFs from the annual emissions returns data gas miners provide to the EPA. A draft Table 10 Schedule 2 of the SEIP Regulations will be separately forwarded to all affected NZ ETS gas mining and purchasing participants for comment by the end of June.

Following this, the Minister for Climate Change will be asked to approve drafting of the amendment regulations.

We are also making other regulation changes

Refining petroleum

Firms that refine petroleum are direct emitters of greenhouse gases from combustion of fuels and fuel gases and from other chemical reactions. Those direct emissions are exempt from emissions pricing policies until 2023 due to the Negotiated Greenhouse Agreement between the Crown and Refining New Zealand. This agreement has required the firm to make improvements to its emissions intensity and reporting since it was signed in 2003.

Early in 2019 Cabinet agreed firms that produce refined petroleum products will be eligible for an allocation of emission units from 2023. This allocation is to prevent economic activity leaving New Zealand once the direct emissions from the industry are exposed to NZ ETS costs. The Climate Change (Eligible Industrial Activities) Regulations 2009 will be amended by the end of 2019 to enable this allocation.

Synthetic greenhouse gas levy rates

The individual rates of levies for imported goods and vehicles containing SGGs in 2020 will be finalised in the middle of this year, as usual. Regulations will be amended accordingly. The timing is dependent on calculating the carbon price that underlies the levy rates, which represents the average emission unit price from 1 July to 31 June. We expect levy rates to increase for 2020, but not as substantially as previous years.

Implementation timetable

Step	Date
Consultation ends	5pm Sunday 16 June 2019
Regulations amended	Before 30 September 2019
Regulations in force	1 January 2020, except for amendment to the Climate Change (General Exemptions) Order 2009

Consultation questions

Exports of synthetic greenhouse gases in refrigerated shipping containers

1. What are your thoughts on the definitions of the problems and our understanding of their scale?
2. Do you agree with our proposal? If not, why?
3. Which of these options for the scope of the exemption is the best and why? Option A: To SGG imported that can be shown has been exported in that year. Option B: To SGG imported and sold by the importer for reefer servicing.
4. Are there alternative policy options that resolve the problems that are not covered above? What are the costs and benefits of those options?
5. Is our understanding of how SGG is imported and used in reefers correct?
6. Have we correctly identified all the parties impacted by the problems and options?
7. If you are an importer, supplier or user of bulk SGG, is our estimate of the annual sales of SGG for servicing reefers correct? How much will this quantity change in the near future?

Coal-based products

8. What are your thoughts on the definitions of the problems and our understanding of their scale?
9. Do you agree with our proposal? If not, why?
10. Are there alternative policy options that resolve the problems? What are the costs and benefits of those options?
11. Is the assertion there is no domestic manufacture of such products from New Zealand-mined coal correct? If not, and if you are a manufacturer, what is the quantity of coal used in these products?
12. If you are an importer or user of these products, how soon do you think an importer of these products will cross the 2000 tonnes of coal per-year threshold? How much by?

Update of default emissions factors for natural gas

13. If the default emissions factor for mined natural gas that you use has not been updated and you want it to be, please let us know.

Submission process

Have your say

Please send your submission by email to: ETSRegsUpdate2019@mfe.govt.nz

If you are unable to email your submission, please post it to:

NZ ETS Regulations Updates 2019
Ministry for the Environment
PO Box 10 362
Wellington 6143.

Deadline for submissions

The closing date for submissions is 5pm Sunday 16 June 2019.

Publishing and releasing submissions

All or part of any written submission (including names of submitters) may be published on our website at www.mfe.govt.nz.

Unless you clearly specify otherwise in your submission, we will consider that you have consented to website publishing of both your submission and your name.

We may release contents of submissions 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.

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