

New Zealand Government



The New Zealand Emissions Trading Scheme

✧ New Zealand Emissions Trading Scheme Review 2015/16

SUMMARY OF STAGE TWO: OTHER ISSUES CONSULTATION RESPONSES

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Contents

Abbreviations	vi
1. Executive Summary	7
2. Introduction	10
1.2 Technical notes	11
1.3 Stage two consultation (other issues) and technical notes on forestry and operational matters	11
1.4 Approach to analysis	12
1.5 Notes on conventions used in this document	12
2. Who responded to the consultation?	14
2.1 Number of submitters	14
2.2 Types of submissions	14
3. Context and drivers for the review	15
3.1 Do you agree with the drivers for the review? (Question 1)	15
3.2 What other factors should the Government be considering in this NZ ETS review? (Question 2)	16
4. Business responses to the New Zealand Emissions Trading Scheme (NZ ETS)	19
4.1 Do you consider the future cost of emissions in your business planning? If yes, how do you do this? (Question 9)	19
4.2 What would improve your ability to take into account the future cost of emissions in your business planning? (Question 10)	21
5. Protecting competitiveness through free allocation	23
5.1 Under what conditions should free allocation rates start to be reduced after 2020? (Question 11)	23
5.2 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 free allocation after 2020? (Question 12)	25
6. Managing unit supply	27

Forestry	27
6.1 How does carbon price impact your forestry investment decision-making? (Question 13)	27
6.2 Are there opportunities for the NZ ETS to increase incentives for forestry investments, outside of NZU price? What are your reasons for the above answer? (Question 14 and 15)	28
International units	30
6.3 If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use? (Question 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 (c) others (please explain)	30
Auctioning	34
6.4 Should auctioning be introduced in the NZ ETS? If yes, when? (Question 17)	34
a) in the next two to three years b) within five years (before 2020) c) after five years (post 2020)	34
6.5 What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced? (Question 18) a) to align supply in the NZ ETS more closely with our international target b) to more actively manage NZU prices c) other	37
6.6 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? (Question 19)	40
7. Managing price stability	42
7.1 What impact has carbon price volatility in the NZ ETS had on your business? (Question 20)	42
a) minor b) moderate c) significant	42
7.2 Do you think measures should be in place to manage price stability? (Question 21)	44
7.3 What do you consider are important factors for managing price stability? (Question 22)	47
a) upper price limits (eg, fixed price option, or a price ceiling implemented an auctioning mechanism) b) lower price limits (eg, price floor) c) other	47
7.4 What should the Government consider when managing price stability? (Question 23)	49
8. Operational and technical matters	52
8.1 Are you aware of ways the administrative efficiency of the NZ ETS could be improved? Can you provide further information to support your answer? (Questions 24 and 25)	52

9.	Addressing barriers to the uptake of low emissions technologies	55
9.1	Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions? (Question 26)	55
9.2	If so, is there a role for the Government in addressing these barriers of market failures and how should it do this? (Question 27)	57
	Appendix 1: Consultation meetings	60
	Appendix 2: List of submitters	61
	References	66

Tables

Table 1:	The main sector interest of submitters across the NZ ETS review	14
Table 2:	Submitter positions – <i>Do you agree with the drivers for the review?</i>	15
Table 3:	Submitter positions – <i>Do you consider the future cost of emissions in your business planning?</i>	20
Table 4:	Submitter positions – <i>If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?</i>	33
Table 5:	Submitter positions – <i>Should auctioning be introduced in the NZ ETS?</i>	36
Table 6:	Submitter positions – <i>What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?</i>	39
Table 7:	Submitter positions – <i>What impact has carbon price volatility in the NZ ETS had on your business?</i>	43
Table 8:	Submitter positions – <i>Do you think measures should be in place to manage price stability?</i>	46
Table 9:	Submitter positions – <i>What do you consider are important factors for managing price stability?</i>	48
Table 10:	Submitter positions – <i>Are you aware of ways the administrative efficiency of the NZ ETS could be improved?</i>	53
Table 11:	Submitter positions – <i>Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?</i>	56

Figures

Figure 1:	Submitter positions – <i>Do you agree with the drivers for the review?</i>	16
Figure 2:	Submitter positions – <i>Do you consider the future cost of emissions in your business planning?</i>	21
Figure 3:	Submitter positions – <i>If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?</i>	34
Figure 4:	Submitter positions – <i>Should auctioning be introduced in the NZ ETS?</i>	37
Figure 5:	Submitter positions – <i>What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?</i>	40
Figure 6:	Submitter positions – <i>What impact has carbon price volatility in the NZ ETS had on your business?</i>	44
Figure 7:	Submitter positions – <i>Do you think measures should be in place to manage price stability?</i>	47
Figure 8:	Submitter positions – <i>What do you consider are important factors for managing price stability?</i>	49
Figure 9:	Submitter positions – <i>Are you aware of ways the administrative efficiency of the NZ ETS could be improved?</i>	54
Figure 10:	<i>Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?</i>	57

Abbreviations

EITE	Emissions intensive and trade exposed
EPA	Environmental Protection Authority
GDP	Gross Domestic Product
NGA	Negotiated Greenhouse Agreement
NGO	Non-governmental organisation
NZ ETS	New Zealand Emissions Trading Scheme
NZU	New Zealand Units
PCE	Parliamentary Commissioner for the Environment
SGG	Synthetic greenhouse gas

1. Executive Summary

This document provides a summary of consultation responses on stage two (other issues) of the NZ Emissions Trading Scheme (NZ ETS) review. The majority of submitters on stage two were supportive of the drivers for the review. Many submitters also provided other factors they thought should be considered in the review. These included considering whether

- an emissions trading scheme is the most appropriate response to climate change for New Zealand
- surrender obligations for biological emissions from agriculture
- continued engagement from the Government
- the role of the NZ ETS
- the need for a long-term view of climate change.

Business responses to the NZ ETS

In general submitters said they consider the cost of emissions in their business planning, including the current New Zealand Unit (NZU) price. A common theme among submitters was that uncertainty limits the amount of planning they can do. It was therefore suggested by some submitters that policy and price stability would improve their ability to take the NZ ETS into account when making business decisions.

Protecting competitiveness through free allocation

We sought views on whether and under what conditions free allocation rates should start to reduce after 2020 and received contrasting views from submitters. Approximately 45 percent of submitters thought that it should be reduced regardless of conditions and around 30 percent thought that free allocation should only be reduced when New Zealand's main trading partners have equivalent emission reduction policies, such as a price on carbon, to reduce the risk of carbon leakage. Many submitters thought having a clear plan for reducing free allocation would reduce uncertainty and help with business planning.

Managing unit supply

We sought views from submitters about how the supply of units into the NZ ETS should be managed up to and beyond 2020. This included seeking views on forestry, international units and selling New Zealand Units (NZUs) by auction. A key theme across unit supply responses was that there needed to be clarity on the future role of auctioning and international units to help businesses plan and make long-term investment decisions.

There was some wariness about the use of international units and auctioned units. A number of submitters had a preference for encouraging domestic emissions reductions. The majority of submitters thought there should be clear restrictions on the use of international units, with many commenting on the importance of ensuring international units have environmental integrity.

There was a mix of views about introducing of auctioning. Those who supported the introduction of auctioning suggested it could be used to supply more units to the market. Some of those who did not

think auctioning should be introduced were concerned that auctioning could be used by the Government to manipulate the carbon price, introducing further uncertainty.

Similarly, submitter responses were split on what the role of auctioning should be with submitters supportive of both aligning supply with our international target and more actively managing NZU prices. It was also noted that the use of auctioning could improve price discovery and improve transparency of the market.

Revenue recycling was also discussed, with several submitters commenting that revenue from auctioning should be used towards low emissions technologies and projects, or to provide assistance to low income households.

We also sought views on how the carbon price impacts forestry investment decisions, and how the NZ ETS could be improved to increase incentives for forestry, outside of NZU price. Submitters highlighted that the carbon price impacts forestry investment decisions, but that there are also a range of other factors that impact these decisions, including wider NZ ETS settings and likely profitability of harvesting the forest.

Foresters also noted that increased policy predictability was a key factor to increase NZ ETS incentives for new forest planting. Submitters also discussed other possible improvements to the NZ ETS, including changes to accounting approaches for post-1989 forestry and a number of operational improvements.

Managing price stability

More than half of submitters thought that carbon price volatility had significantly impacted their business, especially submitters from the forestry sector. Many noted this had made it hard to plan and had reduced investments in low emissions technologies and forestry. Many submitters thought there should be measures in place to manage price stability, noting this was necessary due to the small size of the New Zealand market and to provide more certainty for business planning.

There was a range of views on the types of mechanisms that should be used, with some submitters supportive of both upper and lower price limits. Some submitters also suggested that the price limits should increase over time to drive greater emission reductions.

Submitters noted that the most important consideration for the government was policy stability. This included ensuring that policies had cross-party political buy-in, reducing changes to the NZ ETS and ensuring any changes were predictable and transparent. Other considerations included protecting competitiveness of businesses, ensuring the NZU price drives emissions reductions and allowing the market to determine the price.

Administrative efficiency of the NZ ETS

A key theme across submissions was that the NZ ETS is quite complex, and that efforts should be made to reduce this complexity, where possible, and to help participants better understand the NZ ETS. This view was especially prominent among submissions from the forestry sector. Another common theme was a call for the Government to provide more information about the NZ ETS, including information on the carbon market. A number of submitters also raised particular operational or technical matters they thought could be improved.

Addressing barriers to the uptake of low emission technologies

The majority of submitters that addressed the topic of barriers to the uptake of low emission technologies thought there were barriers. Common things cited as barriers included regulatory uncertainty, low carbon price, lack of alignment between policies, along with barriers that are specific to certain activities.

Submitters thought there would be a role for the Government in reducing barriers to the uptake of low emissions technology. Some of the common suggestions included increased predictability of policies, early and clear communication of policy settings, making sure policies align and incentivising low emissions technologies especially through funding and supporting policies outside the NZ ETS.

2. Introduction

The New Zealand Emissions Trading Scheme (NZ ETS) review began on 24 November 2015, with the release of a discussion document and call for written submissions. The discussion document (www.mfe.govt.nz/publications/climate-change/new-zealand-emissions-trading-scheme-review-2015-16-discussion-document) set out the terms of reference for the review, and issues for consultation.

The issues for consultation covered the following three key areas:

- transition measures, with the exception of surrender obligations for biological emissions from agriculture
- evolution of the NZ ETS design, taking into account the changing conditions in which it operates
- operational and technical improvements.

From these issues, the Government identified two priority issues for consultation. These were:

- moving to full surrender obligations for the liquid fossil fuels, industrial processes, stationary energy and waste sectors
- managing the costs of those sectors moving to full surrender obligations.

The Government sought submissions on how changes to the priority issues would impact individuals, communities, businesses and other organisations. Consultation on priority issues closed on 19 February 2016.

In July 2016 a summary of consultation responses on the priority issues was published on the Ministry for the Environment website (www.mfe.govt.nz/publications/climate-change/new-zealand-emissions-trading-scheme-review-201516-summary-stage-one). The remaining issues under review were allocated a longer time for consultation. These issues included the future direction of the NZ ETS, including:

- business responses to the NZ ETS
- protecting competitiveness through free allocation
- managing unit supply, including issues related to forestry, international units and selling New Zealand Units (NZUs) by auction
- managing price stability
- operational and technical matters
- addressing barriers to the uptake of low emission technologies.

Submissions on the 'other issues' were accepted until 5.00 pm on 30 April 2016.

This document provides a summary of consultation responses on stage two (other issues) only.

1.2 Technical notes

Two technical notes were released during stage two of the NZ ETS review, to support consultation and seek additional feedback on some specific issues. The following documents were released on 3 March 2016, and published on the Ministry for the Environment website:

- New Zealand Emissions Trading Scheme Review 2015/16: Forestry Technical Note (www.mfe.govt.nz/publications/climate-change/forestry-technical-note)
- New Zealand Emissions Trading Scheme Review 2015/16: Operational Matters Technical Note (www.mfe.govt.nz/publications/climate-change/operational-matters-technical-note)

These technical notes provided further detail on some forestry and operational issues not included in the NZ ETS review discussion document and sought stakeholder feedback on those issues.

A press release announcing the release of the technical notes was issued on the Beehive website (www.beehive.govt.nz/release/second-phase-ets-review-documents-released). Emails were sent to members of the public who had requested direct notification of the release of the notes.

Summaries of submissions received on these technical notes have been published as annexes to this document:

- *New Zealand Emissions Trading Scheme Review 2015/16 – Summary of Stage Two: Other Issues Consultation Responses. Annex One: Forestry Technical Note Responses.* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-one)
- *New Zealand Emissions Trading Scheme Review 2015/16 – Summary of Stage Two: Other Issues Consultation Responses. Annex Two: Operational Matters Technical Note Responses* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-two)

1.3 Stage two consultation (other issues) and technical notes on forestry and operational matters

Consultation on the other issues took place from 24 November 2015 to 30 April 2016. As a technical subject with economy-wide impacts, consultation focused on engagement with experts and participants, as well as members of the broader public.

The review was promoted to increase awareness of the review process and timeframes, and encourage stakeholders to submit their views. Notification included:

- announcement of the review and publication of a media release on the Beehive website (www.beehive.govt.nz/release/government-begins-review-ets)
- release of the discussion document and information on the review process on the Ministry's website, including how to make a submission (www.mfe.govt.nz/publications/climate-change/new-zealand-emissions-trading-scheme-review-2015-16-discussion-document)
- publication of public notices in five major newspapers (*Christchurch Press*, *The Dominion Post*, *The New Zealand Herald*, *Waikato Times* and the *Otago Daily Times*) on Saturday 9 April 2016, and in one major newspaper (the *Sunday Star-Times*) on Sunday 10 April 2016
- placing a notice in a newsletter to New Zealand Emission Unit Register users through the Environmental Protection Authority (EPA).

Meetings were held with targeted stakeholder groups during stage two of consultation to specifically discuss the review's other issues, and the technical notes on forestry and operational matters:

- Seven targeted meetings held between 5 and 15 April 2016 in Wellington, Christchurch, Dunedin and Rotorua. This included an evening skype session. These were attended by approximately 180 stakeholders. The purpose of the meeting was to provide information to stakeholders and seek their initial views on stage two review issues. Discussion and information was shared to help attendees write submissions.

This was in addition to meetings previously held during stage one (priority issues) consultation. Detail on meetings held prior to the close of consultation on priority issues can be found in *The New Zealand Emissions Trading Scheme Review 2015/16: Summary of Stage One Priority Issues Consultation Responses* (www.mfe.govt.nz/publications/climate-change/new-zealand-emissions-trading-scheme-review-201516-summary-stage-one).

[Appendix 1](#) provides a full list of meetings undertaken during stage two, and key themes that were raised by attendees.

1.4 Approach to analysis

Submissions were received from 345 individuals and organisations across both stage one and two of the review.¹ This includes submissions on the priority issues, other issues, and the forestry and operational matters technical notes. During stage one (priority issues), 278 submissions were received. As some of the stage one submissions addressed the 'other issues', these have also been considered in the analysis of submissions for stage two. The assessment of each question is based on the total number of submitters that addressed that particular question. The numbers of respondents between questions therefore varies.

Many submitters provided more than one submission document or correspondence. In these cases, all documents were logged as a single combined submission to avoid duplication. Where a party made multiple submissions on behalf of multiple organisations or individuals, these were logged separately. All submitters were assigned a unique identification number and entered into a central database. Each submitter was attributed a main sector interest, and additional sector interests were noted for the analysis. [Appendix 2](#) provides a full list of submitters.

A quality assurance process was undertaken and every effort has been made to ensure this report accurately summarises the overall feedback on issues regarding stage two (other issues). We cannot guarantee that all views are reflected in this report.

1.5 Notes on conventions used in this document

Where numbers and percentages are used when referring to the number of submitters who responded to questions, these are based on interpretation of the submissions. Protocols were established to ensure as great a degree of consistency in interpretation as possible.

Comments received on stage two (other issues) that were also relevant to questions contained within the technical notes have also been considered within the responses to the technical notes.

¹ Consultation on stage two closed at 5.00 pm on 30 April 2016. Some submitters were granted extensions, and these submissions are included in the analysis.

Summaries of submissions received for both these technical notes have been published as annexes to this document:

- *New Zealand Emissions Trading Scheme Review 2015/16 – Summary of Stage Two: Other Issues Consultation Responses. Annex One: Forestry Technical Note Responses.*
(www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-one)
- *New Zealand Emissions Trading Scheme Review 2015/16 – Summary of Stage Two: Other Issues Consultation Responses. Annex Two: Operational Matters Technical Note Responses*
(www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-two)

Selected quotes from submissions have been included in this summary document. These have been included for their value in illustrating issues raised by submitters, or because they articulate issues in a way that is difficult to paraphrase without losing the original meaning. Their inclusion in this document does not imply that they have been given more weight over and above submissions that have not been cited specifically.

Where quotes from submissions are used, any unexplained acronyms or minor typographical errors have been amended to allow for improved readability. Every effort has been made to ensure citations of submissions are accurate. Where these have been manually typed, however, there may be minor errors.

Percentages referred to in this document have been rounded. As such, in some cases total values may not equal 100 per cent.

2. Who responded to the consultation?

2.1 Number of submitters

In total, submissions on the New Zealand Emissions Trading Scheme (NZ ETS) review were received from 345 individuals and businesses. Many of these submitters provided separate submissions for stage one (priority issues) and stage two (other issues) of the review. A number of submitters also provided additional submissions addressing the questions asked in the *Forestry technical note* and the *Operational matters technical note*.

Where a submitter provided more than one submission, all documents were logged into a single submission to avoid duplication. The numbers of submitters who provided submissions across the review are detailed below.

Table 1: The main sector interest of submitters across the NZ ETS review

Sector	No.	% of total
Agriculture	13	4
Business groups	10	3
Electricity	9	3
Forestry	56	16
Individual	136	39
Industrial processors	12	3
Iwi/Māori	12	3
Liquid fossil fuels (transport)	10	3
Local government	9	3
Non-government organisations (NGOs) and community groups	22	6
Research and tertiary organisation	11	3
Stationary energy (excluding electricity)	9	3
Waste	14	4
Wood processors and manufacturers	2	1
Other	20	6
TOTAL	345	100%

2.2 Types of submissions

296 submissions (approximately 85 per cent) were unique. The remaining 49 (approximately 15 per cent) were form submissions by the Morgan Foundation and largely completed by individuals.

58 submissions (approximately 15 per cent) were received through the online submission tool, 276 (approximately 80 per cent) were emailed, and 11 (approximately 5 per cent) were written submissions, received by post.

3. Context and drivers for the review

3.1 Do you agree with the drivers for the review? (Question 1)

The Government sees four key drivers for reviewing the NZ ETS:

- improving performance of the NZ ETS against its objectives
- preparing for a more carbon-constrained future
- increasing certainty about future policy settings
- managing banked emissions units.

In total, 263 submitters (approximately 75 per cent of all submitters) addressed this question. Two-hundred and two submitters (approximately 75 per cent) agreed with some or all of the drivers for the review. This included the majority of respondents in all sectors. Thirty-one (approximately 10 per cent) did not agree with the drivers, while the remaining submitters were unsure or did not provide a clear position in their answer.

A number of submitters who addressed this question also provided additional information on the extent to which they agreed or disagreed with the review's drivers. Many submitters commented that they considered the driver to 'increase certainty about future policy settings' should be a primary driver. These submitters often noted that they believe policy stability will increase the effectiveness of the New Zealand Emissions Trading Scheme (NZ ETS).

"O-I particularly supports the objective of the ETS review to "increase certainty about future policy settings." Maximising certainty regarding ETS settings, and signalling any changes clearly and with adequate time to allow businesses to prepare for the changes, is critical to enable business to properly factor the future cost of emissions into operational and investment decisions." (O-I ACI Operations New Zealand Limited, 04030)

Other submitters noted that although they agreed with Government's drivers for the review, they did not think they were sufficient.

"Not entirely – it is too structured in format for wide and robust consultation over the NZETS which is a complex and intertwined scheme for which changes and implications must be considered in its entirety, not just parts." (Ngāti Hine Forestry Trust, 00066)

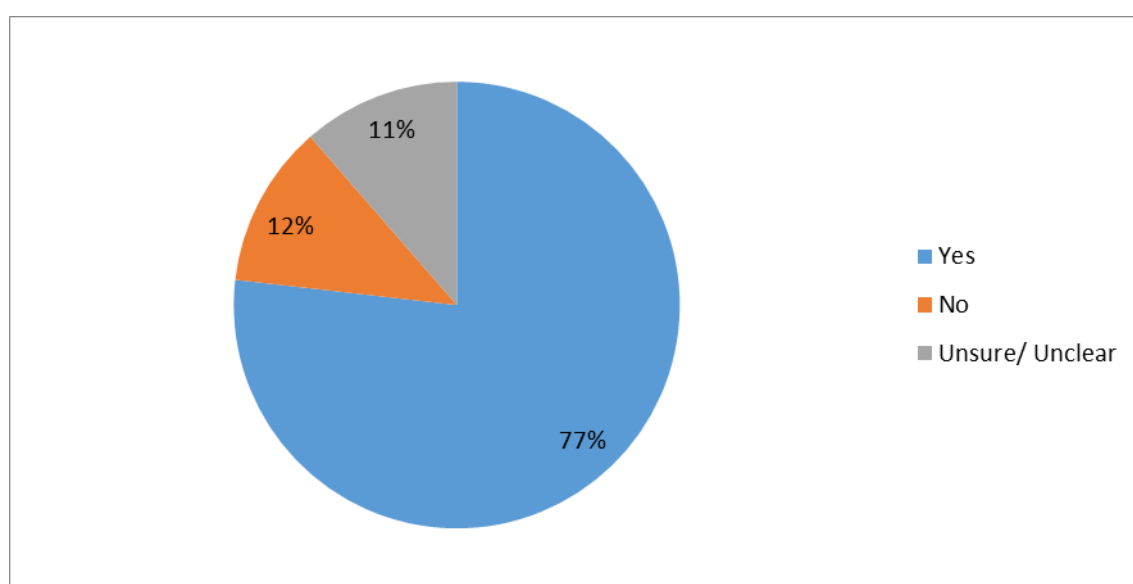
The breakdown per sector is detailed in Table 2 and illustrated in Figure 1.

Table 2: Submitter positions – Do you agree with the drivers for the review?

	Yes	No	Unsure/ Unclear	Total
Agriculture	11	1	1	13
Business groups	7	0	0	7
Electricity	8	0	0	8
Forestry	36	7	2	45
Individual	72	14	19	105

	Yes	No	Unsure/ Unclear	Total
Industrial processors	7	0	2	9
Iwi/Māori	6	0	1	7
Liquid fossil fuels (transport)	7	0	0	7
Local government	4	0	1	5
NGO and community groups	13	1	0	14
Research and tertiary organisations	6	0	1	7
Stationary energy (excluding electricity)	5	2	0	7
Waste sector	9	2	2	13
Wood processors and manufacturers	2	0	0	2
Other	9	4	1	14
TOTAL	202	31	30	263

Figure 1: Submitter positions – Do you agree with the drivers for the review?



3.2 What other factors should the Government be considering in this NZ ETS review? (Question 2)

In total, 303 submitters (approximately 90 per cent of all submitters) provided information about other drivers or factors the Government should be considering in the current NZ ETS review. Many of these submitters provided suggestions for other factors that the Government should be considering during this review despite agreeing with the Government's review drivers.

The need for a long-term view of climate change

Many submitters called for a long-term plan to address climate change, and emphasised the importance of understanding how the NZ ETS fits within this plan. Many of these submitters highlighted the need for Government leadership on climate change.

“So while meeting short-term targets is important, it is more important to keep our eyes on the long-term goal – to map out a pathway toward a low-carbon economy. We cannot design such a pathway in detail because we cannot predict how technologies and society will evolve.” (The Parliamentary Commissioner for the Environment, 00047)

A number of submitters emphasised that there needs to be a plan for moving to a low emissions economy, with some submitters noting this plan needs to address all sectors of the economy. Some of these submitters discussed factors outside the NZ ETS, or thought that other policies to work alongside the NZ ETS should be considered.

“The ETS should play a crucial role in New Zealand’s successful transition to a low-emission economy. However, it needs to be one of a number of domestic actions taken. It cannot be the only response. SBC members want to see an ambitious pathway established so all parties – business, government and civil society - can move towards a common goal.” (Sustainable Business Council, 00111)

Many submitters suggested other factors that would support a long-term view of climate change, including cross-party support and establishing an independent climate change commission.

“I agree with drivers for the review but think it is timely that NZ look far deeper and more effectively at where it is going with its carbon emissions. In my view if we are to make the changes required in order to address this issue, there should be a wider group making recommendations for Government, that will take it outside political boundaries.” (Individual, 00096)

Role of the NZ ETS

As well as discussing the need for a long term plan for climate change, many submitters asked for clarity about the role of the NZ ETS. Some submitters expressed this in terms of asking how the NZ ETS fits with New Zealand’s broad approach to climate change. Some submitters suggested the NZ ETS needed to be supported by other policies to reduce emissions.

“We need an overall plan for NZ to have a zero emissions economy in almost three decades from now, based on known technology and with milestones on the way - including our 2030 target. This is the context for our ETS - the ETS must be one tool amongst a suite of emissions reductions policies and programmes for urgent public consultation and development.” (OraTaiao: The New Zealand Climate and Health Council, 00203)

Other submitters thought the role of the NZ ETS in meeting New Zealand’s international climate change targets needed to be made clearer. Some of these submitters suggested that the NZ ETS should be more strongly aligned to our 2030 target under the Paris Agreement.

“Consider a more ambitious but realistic, cost- and time-efficient process to design a comprehensive plan on how ETS would contribute to achieving our 2030 target.” (Moana Ola Pasifika Public Health Network, 00202)

Continued engagement from the Government

A number of submitters thought that the NZ ETS review should also include consideration of how the Government continues to engage with stakeholders on the NZ ETS and broader climate change issues. Some of these submitters commented that regular engagement would help with moving to a low emissions economy.

“As the key source of low greenhouse gas solutions, business looks to work collaboratively with government and officials to further unlock a lower greenhouse gas future. But business wants to see any decisions taken on scheme design nested within a more long-term, strategic framing.” (Business New Zealand, 00131)

The desire for regular engagement with Government on climate change was a common theme across submitters from all sectors, including the agriculture sector.

“We support the Government adopting an approach to New Zealand’s domestic climate change policy framework which looks at the bigger picture and develops a long term plan to achieve the overarching objective of transitioning to a low carbon economy. [...] DairyNZ supports establishing an alternative policy framework outside the ETS which examines the steps that could be taken over the longer term to address biological emissions through partnership with Government and the broader agricultural industry.” (Dairy NZ, 00076)

Surrender obligations for biological emissions from agriculture

Many submitters criticised that the review excluded consideration of surrender obligations for agricultural emissions. Some linked this exclusion of agriculture from the NZ ETS to New Zealand’s ability to meet its future emissions reduction targets and the impacts these costs will have on taxpayers and the wider economy. A number of submitters, largely from the forestry sector, also argued that excluding agriculture from the NZ ETS affects land prices and skews investment away from forestry.

“Agriculture is an important part of the problem and is also an important part of the solution. It needs to have the incentives to adapt. However, the current approach to relying on technical solutions to mitigate the emissions from the established ruminant dominated systems is too narrow.” (Tauranga Carbon Reduction Group, 00067)

“The price of land for agriculture use is artificially inflated by the sector’s protection from ETS obligations. This situation mitigates against rational land use decisions, including conversion of some pasture land to trees on comparative economic grounds, with the double benefit of both reducing methane emissions from livestock and sequestering carbon as noted above.” (Forest & Wood Action Group, 05016)

Whether an emissions trading scheme is the most appropriate response to climate change for New Zealand

A number of submitters stated that since the NZ ETS has not proven to be an effective tool in reducing emissions, it should be replaced by another mechanism, such as a carbon tax.

“The Bioenergy Association reiterates its previous submission that a carbon tax would be a more effective mechanism than the ETS for shifting the economy to low carbon. It punishes polluters and provides incentives for renewable energy.” (The Bioenergy Association, 00070)

4. Business responses to the New Zealand Emissions Trading Scheme (NZ ETS)

4.1 Do you consider the future cost of emissions in your business planning? If yes, how do you do this? (Question 9)

In total, 152 submitters (approximately 45 per cent of all submitters) addressed this question. The large majority of these submitters (approximately 75 per cent) stated that they do consider the future costs of emissions in their business planning. Approximately 15 per cent stated that they do not consider the cost of emissions in their business planning, while the remaining 10 per cent were unsure or did not provide a clear position.

Submitters who consider the cost of emissions in their business planning often stated they specifically take the New Zealand Unit (NZU) price, or potential future prices, into account. A number of these submitters also commented that uncertainty limits the amount of planning they can do, while others stated that uncertainty leads them to make assumptions about carbon prices and policies in their planning.

“Methanol production, using natural gas, is an emissions intensive process and so the future cost of carbon is at the fore of our planning, particularly in New Zealand. Methanex’ planning horizon in New Zealand extends over at least the next ten years.” (Methanex New Zealand Limited, 00137)

“Longer term carbon prices are so uncertain that little cognizance has been taken to date when evaluating future investment in energy efficiency.” (Oji Fibre Solutions, 00071)

A number of submitters provided examples of how they take the cost of emissions into account in their business planning and accounting processes. For example, some submitters discussed taking the cost of emissions into account when making decisions that affect energy efficiency.

“All New Zealand business units of Fletcher Building factor the carbon emission costs from their use of fossil fuels into their budgets through an internal accounting process. [...] Business units are also required to take energy management (and emission reduction) into consideration as part of the annual planning process, feeding into plan preparation and operational budget work.” (Fletcher Building Limited, 00051)

“Forecasting is a core part of our business profile and accuracy of those forecasts is essential. Plant efficiency, usage and long term viability are all taken into account in the forecasts and, consequently, the emissions profile of our business is assessed continuously.” (Genesis Energy, 00053)

A number of submitters from the forestry sector provided information on how they take the cost of emissions into account. Some of these submitters discussed the current emissions price, rather than the future costs of emissions, with a number of submitters stating they would plant more trees or register in the NZ ETS if the NZU price went up. Others commented that they are waiting for NZU price to reach a certain level before they would consider selling units.

“For pre-1990 forest owners and ETS-participating post-1989 forest owners, there are significant consequences that flow from the future cost of emissions and thus, inevitably it

influences business planning and investment. Even for those not currently participating in the ETS though, it is something that typically must be monitored and will affect business planning.” (New Zealand Forest Owners Association, 00039)

There were also some submitters that expressed less clear views on how they take the future of cost of emissions into account. These submitters sometimes stated they are always looking to make efficiency gains in their business activities or discussed reducing emissions because of factors outside of the cost of emissions, such as company-wide sustainability efforts.

Some submitters also discussed challenges in considering the future cost of emissions in their business planning. These submitters sometimes stated that they have already taken all realistic options to minimise emissions and any increase in cost of the NZ ETS will now have only a minor effect on their behaviour. Others noted that they are dependent on new technology being developed to reduce emissions.

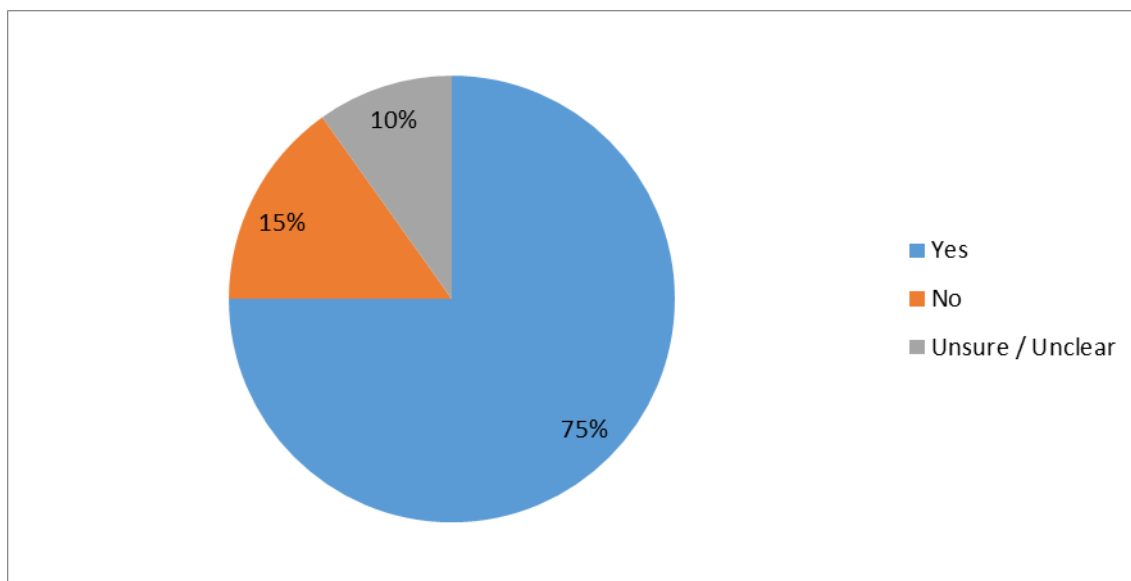
“Air New Zealand is unlikely to itself develop new breakthrough technologies in either aircraft engine design or aviation biofuels that can substantially reduce greenhouse gas emissions. For the foreseeable future Air New Zealand will therefore be a purchaser of new technology rather than leading in the development of it, and will also be a purchaser of emissions units.” (Air New Zealand, 00151)

A few submitters commented that sectors that do not face full NZ ETS surrender obligations, such as businesses that receive free allocation or the agriculture sector, may not incorporate the cost of emissions into their business decisions to the same extent as other businesses.

Table 3: Submitter positions – Do you consider the future cost of emissions in your business planning?

	Yes	No	Unsure/ Unclear	Total
Agriculture	5	1	3	9
Business groups	1	0	2	3
Electricity	7	0	0	7
Forestry	31	4	1	36
Individual	22	12	1	35
Industrial processors	10	0	0	10
Iwi/Māori	5	0	1	6
Liquid fossil fuels (transport)	4	0	3	7
Local government	2	1	0	3
NGO and community groups	1	0	2	3
Research and tertiary organisations	2	1	0	3
Stationary energy (excluding electricity)	5	0	0	5
Waste	10	2	0	12
Wood processors and manufacturers	1	0	0	1
Other	8	2	2	12
TOTAL	114	23	15	152

Figure 2: Submitter positions – *Do you consider the future cost of emissions in your business planning?*



4.2 What would improve your ability to take into account the future cost of emissions in your business planning? (Question 10)

In total, 143 submitters provided information on how they could better take future cost of emissions into account in their business planning.

Increased certainty about the New Zealand Emissions Trading Scheme (NZ ETS)

A large number of submitters thought that more certainty or predictability in general about the NZ ETS would help them take the future cost of emissions into account when making business decisions. Some of these submitters provided specific suggestions for increasing certainty about the NZ ETS, such as more predictability about the future regulatory framework, or asking for the development of a long-term plan for climate change.

“Business cannot expect certainty [...] what businesses want is predictability and stability of the conditions and frameworks in which they operate so they can plan with greater confidence, knowing that the assumptions they make about the future are broadly likely to hold.” (Business New Zealand, 00131)

Some submitters also stated that increased predictability of NZ ETS rules would improve the scheme’s stability and the ability of businesses to take the cost of emissions into account. A small number of submitters also suggested that more signs from Government that action on climate change would be taken would help with incorporating the cost of emissions into business planning.

“More stability around the ETS rules and less political influence.” (Forest Management NZ Ltd, 05007)

“Certainty of NZ ETS settings, and reduced politicisation of scheme details, through greater cross-party agreement, are essential in order to maintain and encourage investment in low-carbon alternative fuels and technologies.” (Z Energy Limited, 00079)

A stable carbon price

A number of submitters commented that reduced price volatility would help them take the future cost of emissions into account when making business decisions, with some of these submitters referring to the impacts of the previous fall in the NZU price. A number of submitters commented that having confidence in a long-term, stable carbon price was the most important aspect for incorporating the cost of emissions into their business planning.

“The Dunedin City Council considers all significant financial costs in the context of its Long Term Plan, and carbon price certainty would assist the planning process.” (Dunedin City Council, 04013)

“Some, processors have attempted to use future emissions costs as part of their justification for energy efficiency programmes. However, those processors have found that uncertainty and great volatility in the cost for carbon emissions has meant that it is not possible to take into account the future cost of emissions in business planning.” (Beef+Lamb New Zealand, Deer Industry New Zealand and Meat Industry Association, 00134)

More information

A number of submitters stated that providing more market information would improve the ability of businesses to account for the cost of emissions when planning. Some submitters thought that providing more detailed or regular information about the NZ ETS would allow businesses to more easily take the cost of emissions into account when making investment decisions. These submitters often provided suggestions about the types of information they would find helpful, for example detailed carbon market data.

“Further assistance could also be provided by Government for businesses through consultants who may help businesses identify ways they can reduce their ETS expenses (and thus emissions).” (McGuiness Institute, 05023)

“There are currently no sufficiently active forward markets with respect to carbon prices to provide clarity about the future price of carbon units. This makes forecasting future carbon obligations or managing price risk difficult. This is exacerbated by the absence of international carbon markets that have the depth and scale to support futures/forwards markets. Without a credible basis for forecasting carbon prices and the ability to manage risk through futures/forward markets, investment decisions driven by mitigation of carbon liabilities are difficult to make.” (The Todd Corporation, 00200)

5. Protecting competitiveness through free allocation

5.1 Under what conditions should free allocation rates start to be reduced after 2020? (Question 11)

The Government provides free allocation of New Zealand Units (NZUs) to firms engaged in activities that are both emissions intensive and trade exposed. This is to prevent New Zealand Emissions Trading Scheme (NZ ETS) costs from affecting international competitiveness, and to prevent the relocation of production to countries that do not have carbon pricing.

The Government supports continuing the free allocation regime until at least 2020. There is, however, a lack of clarity about the future of the free allocation regime, which may be a source of regulatory uncertainty.

One hundred and forty-eight submitters (approximately 45 per cent of all submitters) responded to this question.

Allocation should be reduced regardless of conditions

Approximately 45 per cent of these submitters thought that free allocation rates should be reduced regardless of conditions. Although the question in the discussion document was focused on conditions for reducing free allocation after 2020, many submitters suggested the phase down should start before 2020, or as soon as possible. This answer was provided by several submitters from non-government organisations (NGOs) and community groups, the forestry sector and individuals.

A key theme across submitters who thought free allocation should be reduced before 2020 was that reducing free allocation would improve the effectiveness of the NZ ETS, increase emission reductions and encourage investment in low emissions technologies. Several of these submitters also noted the impact on taxpayers and other sectors of continuing free allocation.

“We support reducing free allocation rates after 2020 regardless of other policy changes. Free allocation to emitters in specific sectors is likely to distort investment decisions, potentially locking New Zealand in to an emission-intensive economy on an ongoing basis. This may result in economic risks in the future: as other countries adopt higher carbon prices, New Zealand’s export competitiveness may be placed at risk.” (MRCagney Pty Limited, 00099)

The importance of free allocation

Several submitters, especially those that receive free allocation, highlighted the importance of ensuring that free allocation continues to protect business competitiveness. Other submitters noted that it would not be suitable to reduce free allocation while access to international units was restricted, and while there was no auctioning mechanism in place.

“...the free allocation regime is critical to the viability of O-I’s operation in New Zealand. Put simply, without sufficient free allocation support, ETS costs could result in O-I’s New Zealand

manufacturing operations closing (and moving overseas).” (O-I ACI Operations New Zealand Limited, 04030)

“We support the free allocation of NZUs to particular activities to prevent NZ ETS costs from affecting New Zealand’s international competitiveness, and to prevent the relocation of domestic economic activity to countries that have not implemented a method of carbon pricing.” (Trustpower, 00088)

Conditions for reducing free allocation

Around a third of submitters provided conditions for reducing free allocation after 2020. The most common view was that free allocation should only be reduced when New Zealand’s main trading partners also have a price on carbon or other emissions reduction policies in place, which would reduce the risk of carbon leakage. Some submitters also commented that the availability of low-emissions technologies should be considered before free allocation is reduced.

“Free allocations should not be reduced until NZ’s trading partners and potential international competitors face the same carbon price burden as New Zealand producers, and cost-effective, viable, alternative low-carbon fuel sources are widely available.” (Horticulture New Zealand, Vegetables New Zealand Inc. and Tomatoes New Zealand, 03004)

Some submitters noted that having a predetermined timeline for phasing out free allocation would not necessarily align with what New Zealand’s trading partners were doing. A few submitters suggested specific criteria for assessing if and when New Zealand’s trade competitors have equivalent policies in place. Others noted that as well as carbon pricing, it would also be important to assess what protection measures New Zealand’s trading partners had in place for their trade-exposed businesses.

“A pre-determined rate of reduction in free allocation levels risks creating a significant distortion in the international competitiveness of affected businesses, unless it happens to coincidentally align with the pace at which obligations are applied globally ... The focus should be on the development of suitable metrics based around the extent of global emissions covered by emissions pricing in other jurisdictions (at an economy and sectoral level) and comparable effort, in terms of GDP per capita or some other appropriate metric, as opposed to arbitrary time triggers.” (Petroleum Exploration and Production Association, 00114)

How allocation should be reduced

Many submitters also provided information on how free allocation should be phased out or removed. Some submitters, mainly individuals and forestry sector submitters, suggested free allocation be phased out over a specified timeframe, across all sectors. A number of submitters recommended free allocation be removed before 2030. Some other submitters thought free allocation should be phased out on a sector or activity basis, determined by an assessment of trade exposure.

“The FOA remains supportive of any change being introduced gradually and in a well signalled pathway. The free allocation was initially intended to be phased out at a rate of 1.3 per cent per annum beginning in 2013, and reviewed on a five yearly basis. We consider that this 77 year time frame, or similar, provided security as well as certainty and could be introduced before 2020.” (New Zealand Forest Owners Association, 00039)

“Free allocation rates should start to be reduced only when the risk of trade exposure has materially reduced. This needs to be assessed on an activity by activity basis and not be a politicised decision that blankets all EITE activities.” (Ballance Agrinutrients, 00074)

Other comments

A small number of submitters suggested that free allocation should be replaced with a reduced surrender obligation.

“Free NZU allocations for export exposed sectors should stop. These sectors should only be required to surrender offsets to cover a reduced % of their total emissions (eg 10% ...up to 40%) but not be given free allocations with which to play the market (which causes distortion and arbitrage).” (Permanent Forests New Zealand Limited, 00054)

5.2 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 free allocation after 2020? (Question 12)

Improve long-term planning and investment decisions

In total, 104 submitters (approximately 30 per cent of submitters) addressed this question. Around half of these submitters thought that providing clear criteria for phasing out free allocation would assist them in making long-term investment decisions, with many foresters noting it would encourage investment in forestry. Many submitters noted that having a clear plan would reduce uncertainty, which would help with business planning.

“Greater clarity on the proposed approach to transitional assistance, including free unit allocation, would assist investors in accurately pricing carbon risk into long term investment decisions. This would also serve to incentivize more investment into low carbon as investors are able to more accurately incorporate the costs and benefits of acting on climate change.” (Investor Group on Climate Change, 00201)

“Referring to a transition arrangement without having any guidance on when, and how, that will take place creates considerable investment uncertainty for all ETS participants. As part of the review that government should be providing a signal now on what will take place with free allocation both pre, and post 2020.” (New Zealand Forest Owners Association, 00039)

Limited impact on investments

Several submitters who thought there would be limited impact on their own business still noted having clear criteria for phasing out free allocation would be advantageous.

“Whilst phasing out free allocation would not directly impact the Gull business, a clear pathway or criteria may provide more certainty and therefore less volatility around NZU pricing which would be favourable to our customers.” (Gull New Zealand Limited, 03009)

Negative impact on investments

Some submitters noted that having a plan for reducing free allocation could have a negative impact on their business through increased financial implications and impacts on competitiveness. Several businesses noted the impact would depend on the details of the plan for reducing free allocation.

“Some of our customers operate energy intensive businesses and are going to be exposed to increased costs. Whether or not there remains a mechanism in place to enable those customers to compete against international competitors who are not necessarily exposed to carbon pricing will obviously affect their survival and ultimately impacts on our business.”
(KiwiRail, 02029)

“In the absence of a transparent, global, well-functioning climate change response framework, EITE businesses would consider moving to other countries where there is no price on carbon, or where there is a cheaper price of carbon, and/or would not consider investing in New Zealand. There can only be a “clear pathway or criteria” if our trading competitors are exposed to similar carbon prices to those applying to New Zealand businesses, and international carbon markets are established to which New Zealand has access at affordable prices.” (Straterra, 00102)

No impact on investments

Approximately 15 per cent of submitters did not think having a plan to phase out free allocation would impact their business. Some of these submitters noted there would be no impact on them, as the Government could subsequently make changes to plans for reducing free allocation.

6. Managing unit supply

Forestry

The New Zealand Emissions Trading Scheme (NZ ETS) is intended to encourage carbon removals through forestry by incentivising afforestation and re-planting and discouraging deforestation. NZ ETS incentives to afforest or to avoid deforestation are partially linked to the price of emission units. Aspects of the NZ ETS other than New Zealand Unit (NZU) price are also important in incentivising forestry and encouraging participation in the scheme.

6.1 How does carbon price impact your forestry investment decision-making? (Question 13)

Eighty-eight submitters addressed this question (approximately 25 per cent of submitters). Around 70 per cent of these submitters commented that the carbon price impacts their forestry investment decision-making, while approximately 10 per cent of submitters stated that the carbon price has no impact their investment decision-making. The remaining submitters (approximately 20 per cent) who addressed this question did not provide a specific view in their answer, with some submitters noting that they do not make investment decisions relating to forestry.

Factors outside the NZ ETS drive investment

Submitters who commented that the NZU price does not impact their forestry investment decisions often pointed to other factors as primary drivers their decision-making, such as the timber market and prevailing log prices. Some other submitters noted that in some cases the carbon price no longer affects forestry investment decision-making due to a lack of confidence in the NZ ETS.

“I do not believe it is sensible to plant forestry if there is not reasonable economic reasons to plant for forestry products. Carbon might be an additional fillip to the price, but as a political market, it is high risk to plant with that as the main driver.” (Castlepoint Station Ltd./Wai Ngaio Ltd, 05006)

“The Dunedin City Council currently manages its own forestry activities (for example, in reserves) in accordance with operational priorities, rather than in response to NZU pricing. The Dunedin City Council does not currently plan to increase its forestry investments.” (Dunedin City Council, 04013)

“Some [in the forestry sector] are now sufficiently disillusioned that no carbon price will entice them to enter the ETS. For most, economic rationale will likely prevail, but they can be expected to require more reassurance than previously especially given that they have to manage the liability that comes with the credit.” (Blakely Pacific Limited, 00017)

NZU price is a key driver for some

Submitters that stated they are impacted by the carbon price when making forestry investment decisions often noted that the NZU price can be a primary driver for forestry investment, particularly for new planting. Some submitters discussed the impact of different NZU prices on forestry

investment decision-making, with a number of submitters noting that a minimum price is required for the NZ ETS to affect their behaviour.

“Our analysis indicates that a well-supported NZU price will enable City Forests to compete effectively for rural land that is suitable for highly productive forestry [...] Market prices for wood products will also have an influence but this can be reflected in an increased level of interest in existing forest plantations rather than in new forest investment. Carbon uniquely provides a level of cash-flow in the early part of a forest investment cycle where the returns are 30 years hence.” (City Forests, 00032)

“NZU prices under \$15 have nominal impact upon our decisions, prices over \$15 encourage us to consider carbon trading of our units, or further land purchase for forestry development. Log price is the major factor when carbon prices are low.” (The Omapere Taraire E & Rangihamama X3A Ahu Whenua Trust, 05021)

Other factors affect the impact of the carbon price

Many submitters also discussed other factors that impact their forestry investment decisions alongside the NZU prices. Common factors raised include the impact of wider NZ ETS structural settings and the perceived risk of large harvest liabilities.

The impact of NZ ETS policy stability was often raised, with a number of submitters considering policy stability to be a key factor affecting their investments alongside the NZU price. These submitters often emphasised the importance of policy stability and confidence in the NZ ETS with regard to the long investment timeframes for forestry.

“Carbon price has a huge impact on forestry investment decision making. [...] A forestry investment generally has a term of 20-30 years; therefore stability and certainty around the price range at which NZU trades over the life of the forestry investment matters to forestry investment decision making. Policy stability is required, with cross party support ensuring certainty around carbon price that trades within a range, over periods greater than one election cycle.” (PF Olsen, 00006)

“The key points for us in terms of the scheme are that it needs to provide more certainty. There are currently too many if, but, maybe scenarios within the scheme. This is skewing the market for carbon and in effect pushing the price artificially downward. This is discouraging the planting of more trees and undermining the abilities of New Zealand to meet its international obligations in a post 2020 world.” (Te Rūnanga o Ngāti Apa, 03011)

6.2 Are there opportunities for the NZ ETS to increase incentives for forestry investments, outside of NZU price? What are your reasons for the above answer? (Question 14 and 15)

In total, 118 submitters addressed this question in their submission, and approximately 65 per cent commented that there are opportunities for the NZ ETS to increase incentives for forestry investment outside of NZU price. Approximately 10 per cent of submitters thought there were no other opportunities, while the remaining submitters commented that they were unsure or did not provide a specific position in their answer.

Submitters that considered that there were no additional opportunities for the NZ ETS to increase forestry investments often emphasised the importance of price, and noted that the NZU price was the key incentive for forestry investment provided by the NZ ETS.

“Price is the strongest signal a market based mechanism can deliver. We actively considered funding a forestry investment based on the carbon until the value fell to a level [where] it is meaningless.” (Individual, 02007)

Increasing policy stability

Submitters who commented on opportunities for the NZ ETS to increase the incentives for forestry investment (outside of NZU price) highlighted a range of possibilities. Many submitters commented that increased long-term policy stability and predictability is required for the NZ ETS to increase incentives for forestry investment. These submitters often pointed to the long-term investment horizon associated with forestry and the resulting need for long-term confidence in the NZ ETS.

“Forestry investments depend on long-term planning and predictable policy with respect to accounting for carbon benefits and liabilities. The best incentive for forestry, aside from a carbon price that makes carbon forestry profitable, is a clear long-term plan for reducing emissions that makes clear that forestry is and will continue to be a key part of climate mitigation efforts.” (Carbon Farm Limited, 00121)

“Government should remember the integrity of governance is like a fire, once kindled it is easy to maintain but once lost it is an arduous task to rekindle.” (Individual, 00125)

Changes to accounting approaches for post-1989 forestry

Another common opportunity discussed was introducing changes to the accounting approach for post-1989 forestry, which could make the NZ ETS more attractive. A number of submitters commented the current harvest liability was often seen as a barrier to entering the NZ ETS. These submitters discussed the possible benefits of alternative accounting options that would reduce this barrier, such as deferring liabilities for emissions from harvested wood products or introducing an averaging approach.

“The simplest and most effective incentive is by far the NZU price. However introducing Averaging or including Harvested Wood Products could significantly reduce forestry’s future liabilities, particularly for larger Plantation owners as opposed to narrow-aged Woodlot owners. This could lead to a greater volume of tradable NZUs, which to some extent may compensate for a lower NZU price.” (City Forests, 00032)

“Efforts need to be made to reduce compliance costs and minimise risk. The optional adoption of accounting to a long-term average is one way of reducing risk for participants.” (Scion (New Zealand Forest Research Institute), 00186)

Impact of agriculture’s exclusion from the NZ ETS

Although introducing surrender obligations for biological emissions from agriculture is out of scope of the NZ ETS review, a number of submitters raised the exclusion of agriculture from the NZ ETS in response to this question. These submitters often commented that excluding biological emissions from agriculture from the NZ ETS impacted land value and land use decisions, and argued this had flow on effects for incentives for forestry investment.

“In addition, equitable treatment of sectors is also important; a lack of consistency between sectors has been to forestry’s relative disadvantage since 2008. Making sure all participants have a level playing field that has a predictable set of rules is the best incentive for encouraging forestry.” (Gibbons Forestry Limited, 00130)

“By excluding agriculture from the ETS the price of land becomes skewed. As the agriculturalists are not paying the full cost of their activities they can afford to pay more for the land, and hence forestry is unable to compete for land on price.” (Individual, 04003)

Other opportunities to increase incentives for forestry outside of NZU prices included providing more information for potential forestry participants; increasing transparency of the NZ ETS; ensuring there was a high, stable carbon price; and implementing operational changes to simplify the administration of the NZ ETS.

A number of issues raised by submitters in response to this question were discussed in detail in the *Forestry Technical Note* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-one) and the *Operational Matters Technical Note* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-two).

International units

New Zealand has fewer low-cost options for reducing our emissions compared to other developed countries. Access to international abatement allows New Zealand to take more ambitious emissions reduction targets.

Currently only NZUs are available for surrender in the NZ ETS. This question relates to possible restrictions that could be placed on international units if they eligible for NZ ETS compliance in the 2020. Types of restrictions could include ‘qualitative’ restrictions, such as restrictions on the type of units available or the source of units, similar to those described in 16(a). It also includes quantitative restrictions, which would restrict the amount of units that can be surrendered in the NZ ETS, as noted in 16(b).

6.3 If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use? (Question 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
- (c) others (please explain)

In total, 191 submitters (approximately 55 per cent of all submitters) addressed this question in their submissions. Approximately 30 per cent of submitters that responded to this question expressed a preference for both quantitative and qualitative restrictions on international unit use. Approximately 25 per cent thought there should be only qualitative restrictions on the use of international units, while approximately 10 per cent of submitters thought there should only be quantitative restrictions.

The remaining submitters that addressed this question discussed international unit supply more generally, or did not think there should be any restrictions on international units (approximately 5 per cent). Although this question assumes international units will be eligible in the NZ ETS in the 2020s, a number of submitters thought that international units should not be used in the NZ ETS.

Environmental integrity

Submitters who thought there should be qualitative restrictions on the use of international units often commented on the importance of environmental integrity of international units, and the integrity of sources of these units. Many of these submitters commented that it was critical that any international units used in the NZ ETS represent real emissions reductions. A few submitters discussed environment integrity in terms of environmental equivalence to NZUs.

“...it is critical to the reputation of the NZ ETS that international units are only allowed from sources where the provenance is evidenced and the registries are regulated to prevent fraudulent activity to maintain the credibility of the NZ ETS” (Genesis Energy, 00053)

“... any imported units must be equivalent in their environmental integrity to NZUs.”
(Climate Change Iwi Leaders Group, 00180)

Quantitative restrictions on international unit use

Submitters who thought there should be quantitative restrictions on the use of international units often linked this with promoting domestic emission reductions, and encourage tree planting.

O-I believes that there should be restrictions on the quantity of international units to help ensure NZ is a genuine contributor to domestic emission reductions. (O-I ACI Operations New Zealand Limited, 04030)

Role of international units

In answering this question many submitters expressed views on the role of international units in the NZ ETS. Some submitters thought including international units in the NZ ETS is important because it would help align the NZU price with international carbon prices, or provides businesses access to lower cost abatement.

“Access to international emissions units remains an important mechanism that can contribute to creating a level international playing field for EITE industry, such as Refining NZ.” (Refining NZ, 00148)

“Access to international units is a necessary feature of a viable and fully functioning liquid trading scheme. International trading (via either the one-way importation of units or the more complex scheme linking) is a vital economic safety-valve given New Zealand’s high domestic cost of abatement.” (Business New Zealand, 00131)

Some other submitters commented that international units should be supplementary to domestic action, while others expressed wariness that international units would be used to suppress the domestic NZU price.

“...it is important to ensure that the policy settings provide a strong and preferential signal for domestic action and that any additional units are of a quality that does not undermine

the integrity of the New Zealand ETS. Therefore, to retain international credibility, the settings for New Zealand ETS in the 2020's, must primarily support domestic action, domestic planting and a preference for the surrender of NZU's." (New Zealand Carbon Farming, 00069)

"...including overseas units may undermine the ability of the NZ ETS to set a realistic price signal and drive the transformation of New Zealand's own economy." (Auckland Council, 00019)

Timing and Clarity

A number of submitters commented that clarity on the future role of international units in the NZ ETS is important for New Zealand organisations to help determine future investment decisions.

"Early clarification on this crucial element is vital including how the Government sees this being implemented, with what countries, what form of units and when. The potential danger in managing this poorly may limit NZ business/organisations interest in investing in localised technology to help reduce emissions if the cost of units (through international access) were to once again tumble." (Chevron New Zealand, 00013)

Two way linking vs one-way importation

Some submitters commented on the possibility of two-way linking, rather than only importing international units. Some of these submitters thought that international units should only be accepted in the NZ ETS if NZUs could also be exported.

"If linking with another scheme then the mutual recognition of emission units should be considered (including forestry NZUs). Environmental integrity is a two way street and mutual recognition of emission units would be an endorsement of the NZ ETS." (Ballance Agrinutrients, 00074)

"It is unfair to New Zealand carbon producers if New Zealand can only import units but not export. That decreases the price of NZ units (or at best leaves them unchanged) and is another example of the market being tilted away from New Zealand carbon producers. If the New Zealand Government is incapable of negotiating reciprocal agreements where we can sell as well as buy, then the market should remain domestic-only" (Tunakino Forestry Limited, 03002)

Past experiences

Several submitters commented on the past use of international units by firms and the Government. In particular they commented on these units decreasing the NZU price, lacking environmental integrity, or weakening domestic action.

"The 2011 collapse of the NZU market was caused by the import of low quality Emission Reduction Units (ERU). This collapse severely devalued the Trust's NZU holdings..." (The Omapere Taraire E & Rangihamama X3A Ahu Whenua Trust, 05021)

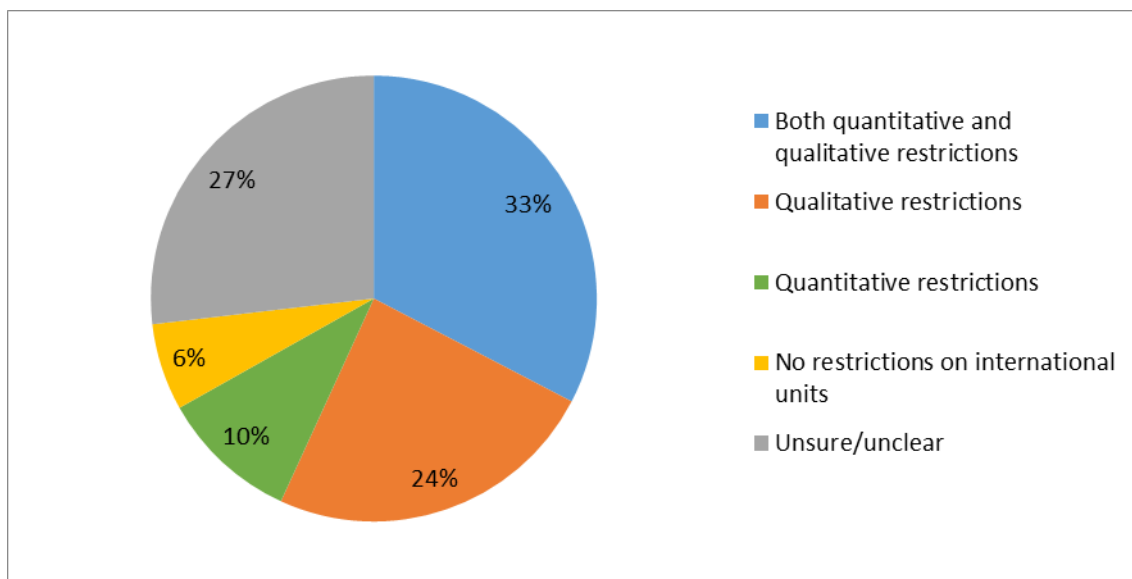
"In the past, the purpose and effectiveness of the ETS has been undermined by the ability to import international carbon units that were of dubious quality, in the sense that the carbon units had significant environmental integrity concerns and may not have been linked to real greenhouse gas reductions." (Waikato Regional Council, 03007)

“...the Government’s allowance of cheap international units undermined the opportunity for NZ to establish a forestry-based carbon mitigation platform.” (Ngāti Hine Forestry Trust, 00066)

Table 4: Submitter positions – *If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?*

	Qualitative and quantitative restrictions	Qualitative restriction	Quantitative restriction	No restrictions	Unsure/unclear	Total
Agriculture	2	1	0	2	4	9
Business groups	3	0	0	0	0	3
Electricity	1	4	0	1	1	7
Forestry	21	9	2	0	9	41
Individual	11	11	10	0	22	54
Industrial processors	2	2	0	4	1	9
Iwi/Māori	3	1	0	0	3	7
Liquid fossil fuels (transport)	1	1	0	0	3	5
Local government	0	4	1	0	0	5
NGO and community groups	4	4	3	0	1	12
Research and tertiary organisations	3	1	2	0	3	9
Stationary energy (excluding electricity)	1	1	0	4	2	8
Waste sector	3	4	0	1	0	8
Wood processors and manufacturers	0	1	0	0	0	1
Other	7	2	1	0	2	12
TOTAL	62	46	19	12	51	190

Figure 3: Submitter positions – If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?



Auctioning

Auctioning mechanisms are primarily used as a way to efficiently distribute units to participants and ensure the number of units circulating reflects the emissions cap on the scheme and/or the national emissions reduction target. They can also be used to influence unit prices by controlling the supply of units.

6.4 Should auctioning be introduced in the NZ ETS? If yes, when? (Question 17)

- a) in the next two to three years
- b) within five years (before 2020)
- c) after five years (post 2020)

Support for auctioning

One hundred and fifty-one submitters (approximately 45 per cent of the total of submitters) responded to this question. Seventy submitters (approximately 45 per cent) thought that auctioning should be introduced into the NZ ETS, although some of these submitters recommended conditions for introducing auctioning. Submitters that supported the use of auctioning were mainly businesses, NGOs, community groups and research groups.

Many of the submitters who thought auctioning should be introduced commented that it was needed to provide more supply to the market. A few submitters noted that auctioning should be introduced with a cap on the amount of units supplied to the market. Several submitters also commented on the importance transparency, consulting with stakeholders, and clearly communicating the objectives, role, and design of an auctioning mechanism in advance.

“Graymont recommends the introduction of full auctioning in the next two to three years with pilot auctions established prior. In the absence of international unit access, auctioning is required to ensure a liquid and functioning NZ ETS...The key auction settings need to be established as a priority and signalled in order to provide market certainty”. (Graymont, 00048)

Some submitters provided conditions for when auctioning should be introduced. The most common condition related to the supply of units. Several submitters thought auctioning should only be introduced if there was a need for additional supply in the market. Others thought auctioning should only be introduced if other forms of supply (such as the fixed price surrender option or international units) ceased.

“Yes - if required to supplement unit supply. Auctioning has the potential to modify or distort supply and demand conditions in the NZ ETS so it is important that the conditions under which auctioning can take place, management of reserve pricing and auction volumes and other design criteria are clearly identified and consulted on prior to its introduction.” (Carbon Farm Limited, 00121)

Unsure about the introduction of auctioning

Thirty-three submitters (approximately 20 per cent) were unsure if auctioning should be introduced. Several of these submitters noted that they needed more information and analysis to be able to provide their views. Some also noted that auctioning could create more uncertainty, especially if its role and other details, such as the use of a cap, are unclear or not well communicated.

“This is not a question that can be answered in isolation and calls for wider economic analysis. Auctioning needs to be considered as part of the debate on a New Zealand cap on CO₂.” (New Zealand Steel, 00044)

Not supportive of auctioning

Forty-seven submitters (approximately 30 percent) did not think auctioning should be introduced to the NZ ETS. The most common reason provided was that auctioning NZUs may make it easier for the Government to manipulate the carbon price. Several submitters suggested that auctioning would introduce further uncertainty into the NZ ETS. Some submitters thought the significant number of banked units and the availability of other forms of supply (such as the fixed price surrender option, forestry units and international units) meant that auctioning was not necessary.

“If sufficient Government-supplied NZUs are available at \$25 there is no need to provide units through an auction. Indeed, some might regard the auction suggestion as a means of avoiding transparency. It would be more honest for the Government to publish the price of its NZUs, rather than to control supply and then argue that the price was actually set by “the market.” We need confidence and certainty, not covert intervention.” (New Zealand Farm Forestry Association, 00022)

“NZIF has stated it believes the ETS needs to be able to operate as a free and open market. Therefore NZIF does not believe auctioning should be introduced into the ETS. Auctioning is similar to quantitative easing, it provides uncertainty for participants in the market and would discourage the market functioning to its full potential.” (New Zealand Institute of Forestry, 00083)

Auctioning before 2020

As well as providing information on whether auctioning should be introduced into the NZ ETS, 59 submitters addressed the question of when it should be introduced. Twenty-seven of these submitters stated that auctioning should be introduced within the next two to three years, and another nine submitters recommended it be introduced within the next five years.

Many of these submitters commented that it was important to introduce auctioning before 2020 due to limited alternative supply from international units and banked units. Submitters also remarked on the need for the timeframe to be well signalled and consulted on with market participants. Several submitters also recommended phasing in auctioning and using pilot auctions.

“In the absence of international unit access, auctioning will be required to ensure a liquid and functioning NZ ETS. Reliance on the ~140 million banked NZUs being made available is an unsound assumption as a significant proportion of these units will be withheld for the period post 2020 to accommodate post 89 forest harvesting obligations and as a buffer against future emitter obligations. It would be best if auctioning is phased in with pilot auctions and subsequent full auctioning introduced prior to the NZ ETS becoming reliant on the of the Fixed Price fall back Option for NZU supply and the phasing in of 1 for 1 surrender. This requires action in the next 2-3 years. The key auction settings need to be established and signalled well in advance as a priority in order to provide on-going market certainty.”
(Oji Fibre Solutions, 00071)

Auctioning after 2020

Ten submitters thought that auctioning should be introduced after 2020. Contrary to those who thought auctioning should be introduced before 2020, some of these submitters suggested there was sufficient unit supply, including the banked NZUs held in private accounts, in the market until 2020.

Unsure when auctioning should be introduced

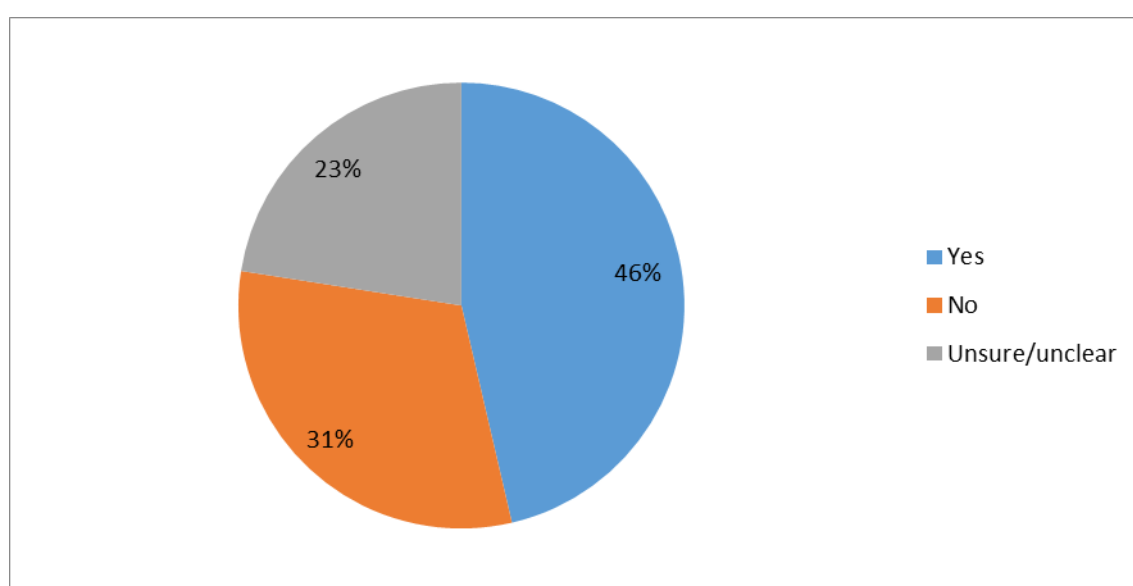
The remaining submitters were unsure when auctioning should be introduced, or suggested other approaches. A small number of submitters suggested other approaches rather than timelines for introducing auctioning to the NZ ETS. Some submitters recommended that auctioning be introduced with the removal of one-for-two, in order to increase supply in the market in line with the increase in demand. Other submitters noted that auctioning should not be introduced while the fixed price option, free allocation and international units are available.

Table 5: Submitter positions – *Should auctioning be introduced in the NZ ETS?*

	Yes	No	Unclear/unsure	Total
Agriculture	3	2	3	8
Business groups	3	1	0	4
Electricity	6	1	0	7
Forestry	11	23	7	41
Individual	9	9	12	30
Industrial processors	5	2	2	9
Iwi/Māori	4	2	0	6
Liquid fossil fuels (transport)	3	0	0	3

	Yes	No	Unclear/unsure	Total
Local government	1	0	0	1
NGO and community groups	8	0	2	10
Research and tertiary organisations	5	1	0	6
Stationary energy (excluding electricity)	3	0	3	6
Waste sector	2	3	3	8
Wood processors and manufacturers	1	0	0	1
Other	6	3	2	11
TOTAL	70	47	34	151

Figure 4: Submitter positions – Should auctioning be introduced in the NZ ETS?



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

- a) to align supply in the NZ ETS more closely with our international target
- b) to more actively manage NZU prices
- c) other

One hundred and three submitters (approximately 30 per cent of all submitters) addressed this question, and there was no clear trend among these responses. Approximately 25 per cent of submitters thought that the role of auctioning should be both to align supply in the NZ ETS more closely with our international target and to more actively manage the NZU price.

Approximately 20 per cent of submitters said the main role of auctioning should be to align supply in the NZ ETS more closely with our international target, while a further 20 per cent thought auctioning should be used to more actively manage NZU prices. Several of these submitters also suggested complementary roles that auctioning could also play.

Approximately 20 per cent of submitters suggested a different main role or purpose for an auctioning function in the NZ ETS, and the remaining submitters noted they were unsure or otherwise provided

general comments on auctioning, without specifying a particular role or purpose for auctioning if it were introduced.

Management of NZU prices

Submitters who thought the role of auctioning should be to manage NZU prices gave a range of views on how these NZU price should be managed. Several submitters thought auctioning should be used to manage prices through implementing a reserve price. A few others suggested auctioning could be used to keep the price within a specific range.

Several submitters thought that using auctioning to manage the NZU price would provide more certainty for investment decisions and forestry. This view was mainly provided from NGOs and the forestry sector. A couple of submitters from the stationary energy sector thought auctioning should be used to create an upper price limit.

“Price needs to be managed to establish a sufficient price signal to drive action on emissions. The price uncertainty and poor policy settings so far have not provided the price signals necessary for long term investment. This can be achieved by a minimum price and an annual price escalator.” (Sustainable Initiatives Aotearoa, 02023)

Aligning supply with international targets

Several submitters, especially those who thought the role of auctioning should be to align supply more closely with our international target, thought there should be a cap on the number of units auctioned. These submitters often thought that auctioning should be used to help reduce domestic emissions and encourage forestry investments. Some submitters who thought auctioning should be used to align NZ ETS supply with our international targets cautioned against using auctioning to actively manage the price, as they were concerned it would distort the market.

We believe that auctioning should be used to align the supply in the NZ ETS more closely with our international target, to ensure that New Zealand meets its international commitments. [...] Using auctioning to manage NZU prices will create a significant distortion to the emissions market, and reduce confidence in the scheme.” (Trustpower, 00088)

Using auctioning to manage supply, liquidity and price volatility

Several of the submitters, regardless of the role they believed auctioning should play, suggested that introducing auctioning would reduce the risk of undersupply, and increase liquidity, in the market. A number of submitters thought that increasing the supply of units through auctioning would help reduce price volatility. Some of these submitters thought auctioning could reduce the risk of the price reaching the price cap or prevent high prices that would risk undermining the NZ ETS. A few submitters, however, noted that caution was needed in managing supply to ensure the NZU price remained significant enough to drive emission reductions.

“Auctioning would help mitigate the risk of under supply of NZUs with resultant reliance on the Fixed Price Option, or if no Fixed Price Option is available, the risk that NZU prices become politically unacceptably high leading to intervention. In both cases the longer term NZ ETS policy would be undermined.” (Ballance Agrinutrients, 00074)

Auctioning for price transparency

A common suggestion from those who suggested other roles for auctioning was that auctioning would improve price discovery and increase transparency in the market. Some of these submitters noted this would help signal the marginal cost of abatement. Several submitters also suggested auctioning could be used to reduce the risk of the NZ ETS having too many international units.

“A secondary objective of auctioning or international unit mechanisms should be to bring increased price transparency into the market via access to a more liquid price index. Currently the only source of market pricing for the NZ ETS is through broker quotes. While broker quotes can give a relatively independent indication of market price at a point in time, settlement prices cannot be used to fairly set an appropriate index...Providing a transparent and independent marker via an average auction price and/or exchange traded price for international units, would provide for more a transparent and representative reference price to be set.” (BP Oil New Zealand, 00135)

The need for clear communication about the role of auctioning

Several submitters, regardless of the role they thought auctioning should have, noted the importance of the Government clearly communicating any purpose or role of auctioning in the NZ ETS. Recommendations from submitters included that an auction function should be transparent and simple in design, have any rules communicated in advance and have a clearly indicated timeframe.

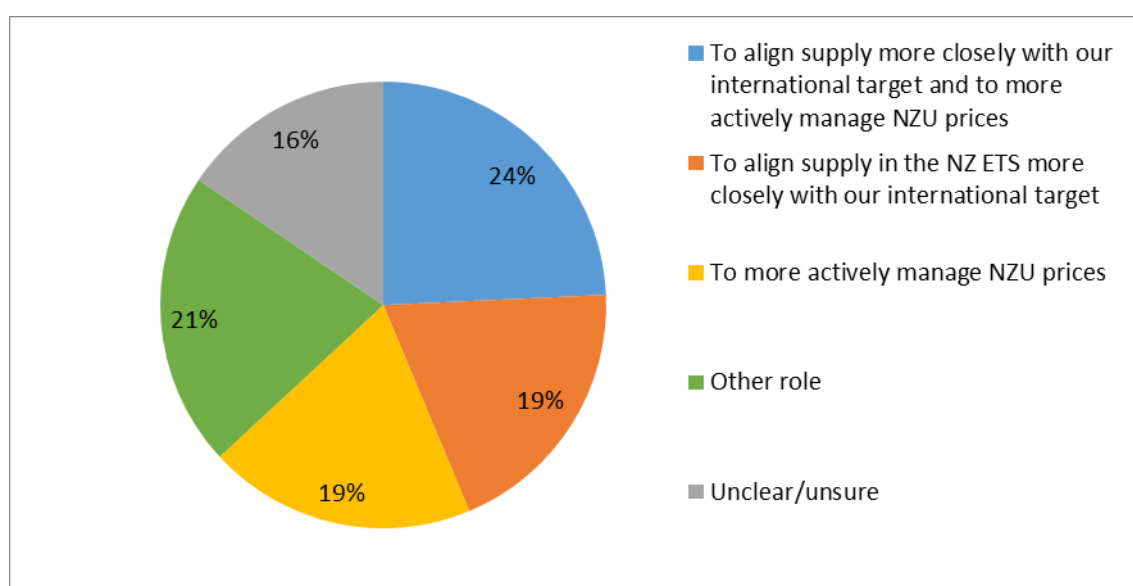
“...an ideal auctioning method should follow these principles: Be open, transparent and simple; The bulk of the proceeds must be recycled to further the environmental objective; Provide long-term regulatory predictability; Be periodic, timetabled and coordinated; Cause no large distributive effects; Be implemented gradually; Take into account the need for new investment; Auctioning revenues should be reinvested for climate related purposes and to help ETS sectors.” (International Emissions Trading Association, 04006)

Table 6: Submitter positions – What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?

	To both align supply and more actively manage NZU price	Align supply	More actively manage NZU price	Other	Unsure/unclear	Total
Agriculture	2	1	0	1	1	5
Business groups	0	1	0	2	0	3
Electricity	1	2	0	2	0	5
Forestry	3	2	7	3	8	23
Individual	3	6	4	2	3	18
Industrial processors	2	0	3	1	2	8
Iwi/Māori	2	0	1	1	1	5
Liquid fossil fuels (transport)	1	2	0	0	0	3
Local government	0	0	1	0	0	1
NGO and community groups	4	2	1	0	0	7

Research and tertiary organisations	2	1	0	1	0	4
Stationary energy (excluding electricity)	1	2	1	2	0	6
Waste sector	0	1	1	4	0	6
Wood processors and manufacturers	1	0	0	0	0	1
Other	3	0	1	3	1	8
TOTAL	25	20	20	22	16	103

Figure 5: Submitter positions – What should be the role or purpose of an auctioning function in the NZ ETS, if one were introduced?



6.6 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? (Question 19)

Eighty-eight submitters addressed this question (approximately 25 per cent). Most submitters provided specific views of how auctioning NZUs should be treated; however, 21 submitters were unsure or provided answers that did not address the question, and several reiterated the view that auctioning should not be included in the NZ ETS.

Equal treatment

Approximately 25 per cent of submitters thought that auctioned units and other units should be equally valid for compliance in the NZ ETS. Some submitters suggested this would reduce complexities. A few of these submitters also noted that although auctioned NZUs should be treated equally, there should be some restrictions on the use of international units.

“In the interests of reducing complexity, transaction costs and the potential for distorted market outcomes, it is desirable for all emissions units to be treated equally regardless of whether they are sourced from forestry, by auction, free allocation, or international market.

Fungibility of units regardless of their source is desirable as it will help facilitate the further development of market trading mechanisms, including futures and forwards markets.” (Petroleum Exploration and Production Association, 00114)

Supplement other units

In contrast, several submitters, mainly from the forestry sector, suggested that auctioned units should only be available for use if there were insufficient supply of forestry units or international units. A few submitters were concerned that auctioned units do not represent emissions reductions. They suggested that forestry NZUs should have preferential treatment in the NZ ETS, to support forestry investment. Others noted that international units should also be preferred over international units as they represent real emissions reductions.

“Auctioned units should be supplementary to forestry removal units and, probably, international units. Both of those units types have some impact on climate mitigation or adaptation through project-based mechanisms (tree planting = removal of carbon dioxide from the atmosphere, for example) whereas auctioned units may not be tied to any reductions or removals at all.” (Gibbons Holdings Limited, 00130)

Revenue recycling

Some submitters also recommended that revenue generated by auctions should be used towards low-emissions technologies and projects. Other submitters thought auctioning revenue should be used to provide assistance to low income households, or through reductions in tax.

“Public understanding and support of the ETS will be increased if revenues from it are visibly used for purposes consistent with an optimal transition to a low emissions economy. These could include assistance to households disproportionately affected, promotion of and incentives for renewables and green technologies, adaptation etc.” (Adrian Macey, 00046)

Other comments

Several submitters thought it was important that units in the NZ ETS represent actual emission reductions, or help New Zealand meet its international climate change targets. Some of these submitters noted that unit supply settings should encourage domestic abatement. A few submitters recommended that the Government should be the sole purchaser of international units, and then provide these units (or an equivalent number of NZUs) to the market through auctioning.

7. Managing price stability

The New Zealand Emissions Trading Scheme (NZ ETS) has a \$25 fixed price surrender option to limit price increases or spikes. However, there is no mechanism to limit price decreases. The potential for price instability, such as significant price drops, may reduce the effectiveness of the NZ ETS in driving investment decisions to reduce emissions.

In order to reduce price volatility, the Government could take a more active role in managing the price of units, such as through lower price limits, upper price limits or both.

7.1 What impact has carbon price volatility in the NZ ETS had on your business? (Question 20)

- a) minor
- b) moderate
- c) significant

In total, 116 submitters (approximately 35 per cent of all submitters) responded to this question. Approximately 15 per cent of submitters provided general comments about carbon price or were unsure.

Minor impact

Approximately 25 per cent of submitters stated that carbon price volatility had a minor impact on their business. Many of these submitters noted that the low carbon price had impacted them rather than price volatility. Some also noted that carbon price volatility might have a greater impact as the New Zealand Unit (NZU) price increases. Around 10 per cent of submitters thought that carbon price volatility had a moderate impact.

“To date, price volatility has been has had a minor impact on our business, as prices have been low. However, we anticipate the impact will become more significant as prices increase.” (Trustpower, 00088)

Forest investors currently manage significant fluctuations in the exchange rate, log prices and supply costs. Thus it is not volatility per se but rather the low carbon price and inconsistency in applying the policy that is problematic for the forest industry and its associated value chains.” (Scion (New Zealand Forest Research Institute), 00186)

Significant impact

Approximately 50 per cent of submitters, representing most sectors, commented that the impact of carbon price volatility had been significant for their business. In particular, a large majority of the forestry sector suggested there had been a significant impact on their business.

Submitters from the forestry sector noted the impact had mainly resulted in reduced planting and reduced confidence in the scheme, while those in other industries commented on decreased investments in low emissions technologies.

“Carbon price volatility has had a major impact on our business. The collapse in the carbon price has undermined confidence in forestry investment and led to concerns about the viability of future investment. The extreme volatility of carbon pricing has also impacted funding for new projects, raising the risk premium on carbon projects to the point where few funders are interested in underwriting new projects.” (Carbon Farm Limited, 00121)

“Carbon price volatility inhibits BP from developing forward price expectations necessary - for business investment confidence, particularly for long-term primary offset abatement projects.” (BP Oil New Zealand, 00135)

Policy stability and price stability

Some submitters also noted that the unpredictable carbon price had made it hard to plan. Some submitters linked policy stability to price stability, noting that increased policy stability would help reduce uncertainty, which would enhance long-term planning and decision-making.

“The greater the volatility in the ETS then the greater the difficulties for Genesis Energy in planning and forecasting. Genesis understands that markets fluctuate from time to time but there is a substantial amount that the Government can do to reduce volatility through transparent and long term policy announcements.” (Genesis Energy, 00053)

Administrative costs

A small number of submitters mentioned that carbon price volatility increases administration costs, such as by having to frequently update prices for goods and services to reflect changing carbon prices and having to review hedging positions more often.

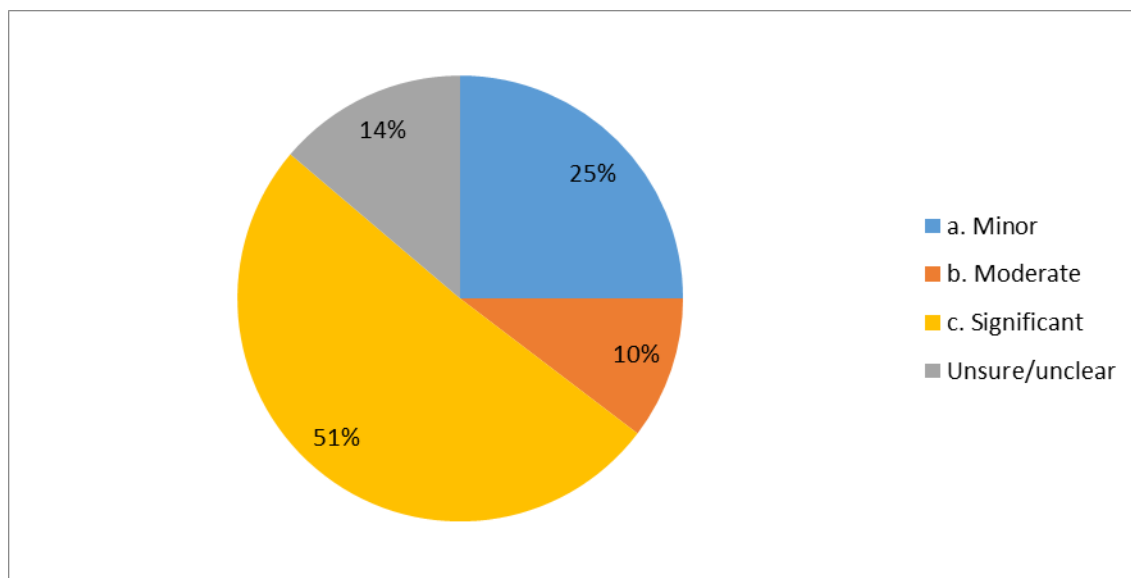
“Z’s experience of carbon price volatility has mostly been in the administrative burden incurred through managing cost pass-throughs effectively; the legal and advisory costs associated with this, and in managing internal resource to manage the consequent process risks.” (Z Energy, 00079)

Table 7: Submitter positions – What impact has carbon price volatility in the NZ ETS had on your business?

	Minor	Moderate	Significant	Unsure/ unclear	Total
Agriculture	1	2	3	0	6
Business groups	0	0	0	0	0
Electricity	2	1	3	0	6
Forestry	5	2	25	3	35
Individual	7	2	9	3	21
Industrial processors	2	0	4	1	7
Iwi/Māori	3	0	3	0	6
Liquid fossil fuels (transport)	1	0	2	0	3
Local government	0	0	0	2	2
NGO and community groups	1	1	0	3	5
Research and tertiary organisations	2	0	2	0	4
Stationary energy (excluding electricity)	2	2	1	0	5

	Minor	Moderate	Significant	Unsure/ unclear	Total
Waste sector	2	2	3	3	10
Wood processors and manufacturers	0	0	1	0	1
Other	1	0	3	1	5
TOTAL	29	12	59	16	116

Figure 6: Submitter positions – *What impact has carbon price volatility in the NZ ETS had on your business?*



7.2 Do you think measures should be in place to manage price stability? (Question 21)

In total, 164 submitters (approximately 50 per cent of the total number of submitters) addressed this question. Approximately 65 per cent of these submitters thought there should be measures in place to manage price stability, although some suggested conditions for these measures.

To reduce risk of price volatility

Some submitters thought that price stability mechanisms were necessary because the small size of the New Zealand carbon market increases the risk of volatility due to unit supply-demand imbalances. A few noted that price stability mechanisms would be important while there is no access to international units.

“Significant price volatility, which is a material risk given the current market design and small market size, would potentially be damaging to domestic consumers (through price increases) and could also undermine confidence in the market and create investment uncertainty.”
(Petroleum Exploration and Production Association, 00114)

To provide certainty for investments

Several submitters noted that price stability mechanisms would enable better long-term planning for businesses, which would help promote long-term investments in forestry and low-emissions technologies.

“We have stressed above that in order to make investment decisions on projects that may have a life of many decades it is vital that the decisions are made with a full and reasonably accurate estimation of the carbon price over those decades. It is likely that major investments in our New Zealand businesses will have a significant Carbon element and uncertainty as to the cost of carbon over the lifetime of a project would likely lead to limiting the risk by taking conservative decisions.” (Fletcher Building Limited, 00051)

“Yes. Given how “managed” our carbon price already is (that is, our carbon price is generated simply by domestic policy settings; and buyers and sellers’ expectations of changes to those settings), I am not averse to policy makers simply “managing” our carbon price more openly and transparently by working out what price we need to meet our long-term emissions targets, then setting a price floor and price ceiling that reflects this.” (Individual, 05010)

Some submitters thought that price mechanisms should be used to create a predictable price to ensure the NZ ETS drives emissions reductions, rather than be focused on reducing price volatility.

“A degree of price stability is important for the political credibility and durability of the NZ ETS in its current form as a domestic-only trading scheme. Prices that are excessively high or low undermine the performance of the NZ ETS against its objectives. However, the emphasis on achieving this should be on good design of the system’s fundamental price drivers rather than on price stabilisation mechanisms. The price level should reflect the level of ambition in the policy framework and clear signals about the direction of travel are required to deliver this.” (Shell New Zealand, 00085)

Conditions for the use of price mechanisms

Some submitters thought price mechanisms should only be used in certain conditions. These included ensuring any mechanism was transparent and taking into consideration availability of units in the NZ ETS (for example, whether the NZ ETS includes auctioning or the use of international units). Other submitters also thought there needed to be a timeframe for increasing and/or removing the fixed price option.

“After a substantial and liquid international market has been established, and has matured, there may be less need for domestic measures such as carbon price caps and floors or for other measures designed to reduce price volatility, except in the most extreme scenarios such as market failure.” (Todd Corporation, 00200)

Market should determine price

Forty submitters who addressed this question (approximately 25 per cent) thought there should be no measures in place to manage price. Most of these submitters emphasised that the market should determine the price instead. Several submitters also thought that focusing on ensuring NZ ETS settings are simple and well-designed will help increase price stability. A few submitters noted that if there was sufficient liquidity in the market (for example through auctioning or international units) then price mechanisms would not be necessary.

“Clear policy settings are preferable to regulation of carbon prices which run the risk of reducing the efficiency of investment signals provided by the ETS. We support an uncapped price consistent with the principle that businesses and consumers should face the true cost of emissions.” (Mighty River Power, 00152)

“No. All markets show rises and falls in value; the fall in the carbon price was not the fault of the ETS not working but reflected poor design and regulation... Caps and floors increase complexity and distort market forces, including forward pricing. It is better to regulate the market properly to achieve its objectives (emissions reduction) rather than manipulate the price.” (Gibbons Holdings Limited, 00130)

A few submitters noted that it would be important for their business to align the NZU price with the international carbon price to reduce competitiveness risks.

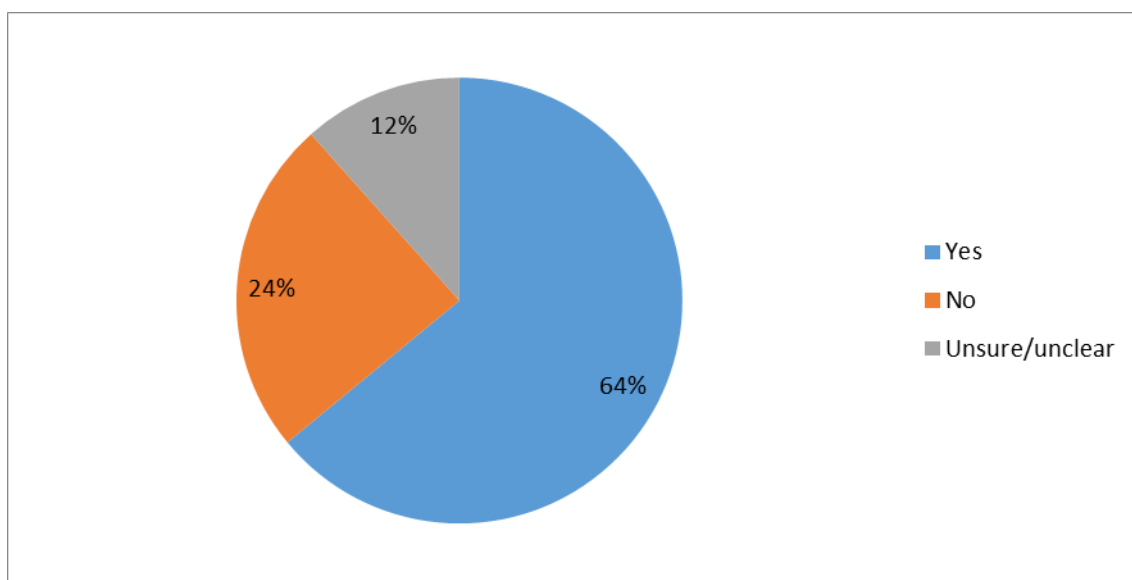
A few submitters (fewer than 10 per cent) were unsure whether there needed to be price mechanisms. Some of these submitters were concerned about price stability mechanisms distorting the market, but noted the importance of reducing extreme volatility.

“Managing price stability introduces uncertainty and distortions to the price making process. It would be far more beneficial to the ETS to examine the reasons for that price instability than trying to control the outcomes. The need for price stability measures would be minimised by the Government being clear in the objectives and policy announcements around the ETS. Managing price stability can have the effect of introducing distortions rather than allowing a market led outcome.” (Genesis Energy, 00053)

Table 8: Submitter positions – Do you think measures should be in place to manage price stability?

	Yes	No	Unsure/ unclear	Total
Agriculture	5	2	0	7
Business groups	0	3	1	4
Electricity	3	2	1	6
Forestry	18	17	6	41
Individual	20	10	6	36
Industrial processors	8	1	0	9
Iwi/Māori	7	1	0	8
Liquid fossil fuels (transport)	3	1	1	5
Local government	3	0	0	3
NGO and community groups	6	1	1	8
Research and tertiary organisations	3	2	1	6
Stationary energy (excluding electricity)	6	0	0	6
Waste sector	10	0	0	10
Wood processors and manufacturers	1	0	0	1
Other	12	0	2	14
TOTAL	105	40	19	164

Figure 7: Submitter positions – Do you think measures should be in place to manage price stability?



7.3 What do you consider are important factors for managing price stability? (Question 22)

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

This question refers to the mechanisms that submitters suggest could be used for managing price. Answers that relate to other considerations are summarised under 7.4 (question 23). One hundred and fifty-four submitters (approximately 45 per cent of total respondents) addressed this question, giving a wide range of views. Approximately 25 per cent of submitters suggested other factors, with many noting the importance of policy stability. This is further discussed in 7.4 (question 23).

Price band or corridor

Many submitters (approximately 30 per cent) recommended the use of both lower and upper limits to manage price, with some of these submitters also suggesting other mechanisms as well. Some of these submitters thought a price band would help provide some protection and certainty for businesses in their planning.

“It is crucial to restore integrity to the ETS, and the establishment of a price floor is essential in doing so, with an annual escalator. Auctioning could then take place above that level and a price ceiling could be established to provide predictability on the maximum level.”
(Sustainable Initiatives Aotearoa, 02023)

Lower price limits

Approximately 25 per cent of submitters thought there should be lower price limits. Lower price limits were especially supported by submitters from the forestry sector, with several submitters

emphasising the importance of a price floor to prevent the price from collapsing again. Many submitters from the forestry sector noted the usefulness of a lower price limits for providing certainty for long-term forestry investments.

“A price floor would provide long-term certainty to commercial and permanent forest owners, enabling them to have confidence in forest investments with reasonable rates of return.” (Individual, 05010)

Upper price limits

The use of an upper price limit was also supported by many submitters (approximately 20 per cent), especially those from non-forestry sectors of the NZ ETS. A few submitters mentioned there should continue to be a fixed price surrender option until other forms of supply (such as auctioning or international units) were introduced to the NZ ETS. Some submitters suggested that there should be an upper price limit that aligns with international carbon prices, while others thought that it should be set at a level to encourage emissions reductions.

“We also strongly recommend the Government adopt rational and transparent policies that are clearly aimed at achieving real emissions reductions. Explanation: A fixed price upper limit clearly signals to emitters the Government’s assessment of the costs of GHG emissions. This enables emitters to make rational investment decisions in an atmosphere of confidence and certainty.” (New Zealand Farm Forestry Association, 00022)

Rising price limits

A common theme among many submitters was that, regardless of the mechanism used, price limits should rise over time. Some suggested price limits should increase in line with recommendations made by the 2011 Review Panel, or adjusted similarly to how the Reserve Bank manages inflation. Many of these submitters suggested rising limits would encourage emission reductions and long-term low emission investments.

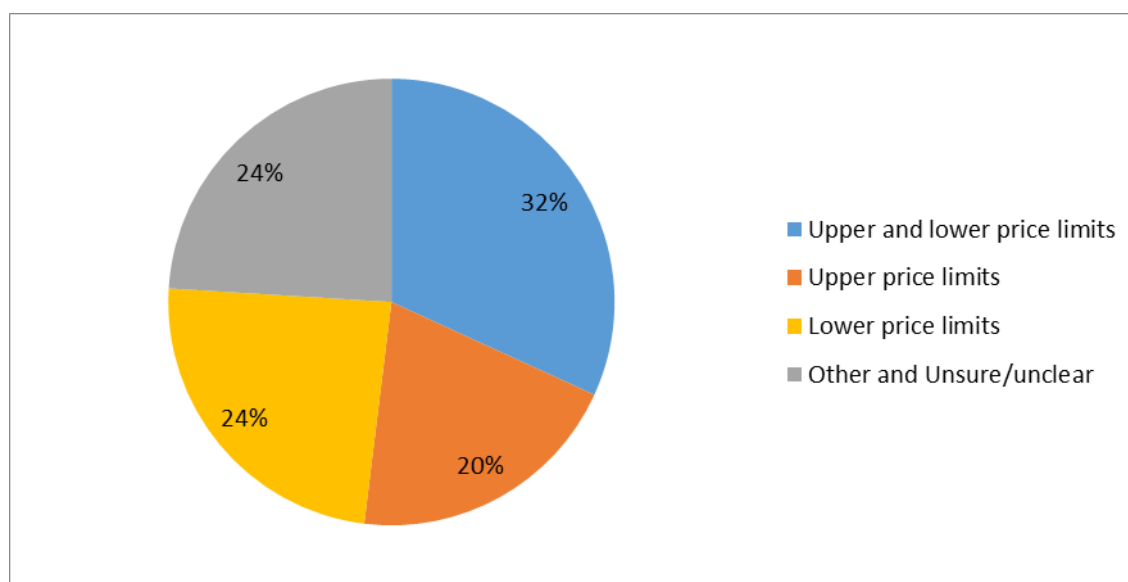
“All the evidence indicates that the carbon price will work most effectively and efficiently, with lowest costs to society, if it is started low (say within a \$15-25/tonne band) and is then steadily increased over time. On the emission permit supply side, a further pre-requisite for establishing, and maintaining, a significant carbon price is to keep a true cap on the quantity if price is to be the regulatory engine of emissions reduction.” (Environment and Conservation Organisations of New Zealand, 00157)

Table 9: Submitter positions – What do you consider are important factors for managing price stability?

	Upper and lower price limits	Upper price limits	Lower price limits	Unsure/unclear	Total
Agriculture	2	1	1	0	4
Business groups	0	1	0	3	4
Electricity	1	3	0	2	6
Forestry	8	1	12	11	32
Individual	9	5	14	10	38
Industrial processors	3	5	0	0	8
Iwi/Māori	3	1	2	1	7

	Upper and lower price limits	Upper price limits	Lower price limits	Unsure/unclear	Total
Liquid fossil fuels (transport)	1	2	0	1	4
Local government	1	0	0	0	1
NGO and community groups	6	1	4	1	12
Research and tertiary organisations	5	0	0	3	8
Stationary energy (excluding electricity)	2	2	1	1	6
Waste sector	2	6	1	1	10
Wood processors and manufacturers	1	0	0	0	1
Other	5	3	2	3	13
TOTAL	49	31	37	37	154

Figure 8: Submitter positions – What do you consider are important factors for managing price stability



7.4 What should the Government consider when managing price stability? (Question 23)

In total, 194 submitters (approximately 55 per cent of submitters) addressed this question. Submitters highlighted several issues that they believe the Government should consider when managing price stability.

Policy stability

A large number of submitters discussed the importance of policy stability in reducing price volatility. Many submitters thought policy stability was the most important consideration, rather than the use of upper or lower price limits. Suggestions for increasing policy stability included recommending policies have cross-party political buy-in to ensure they would not be subject to change with a change in Government; creating a durable scheme by reducing changes to NZ ETS settings; and

ensuring that any changes that do occur are predictable and transparent. Submitters also commented that the market should be allowed to drive the price.

Many of these submitters, especially businesses and foresters, also cautioned that using price management mechanisms could create more uncertainty for businesses. Several submitters suggested that early signalling of any changes, with clear processes and timeframes, would also reduce volatility.

“Stable, predictable and transparent policy design and decision-making processes, including implementation timeframes, are one of the key levers which Government and regulators can apply to reduce price volatility.” (Investor Group on Climate Change, 00201)

“Aotearoa must have certainty in domestic carbon legislation and the price of NZU’s. Only then can emitters and sequesters of carbon respond with economic efficiency in reducing our net emissions. Domestic carbon legislation needs to be rational, effective and stable.” (Te Rūnanga o Ngāi Tahu, 00154)

Supply and demand

Another consideration submitters thought was important was the liquidity of the market, and the supply-demand balance. Some thought price mechanisms would only be necessary if there is reduced liquidity in the market, so would be less important once auctioning or international units were introduced.

“We note that increasing the scale of the market, for example through enhanced international connections, may reduce many of the risks that direct measures to manage price stability would be designed to address by improving market depth and liquidity, improving futures and forward markets and maintaining international competitiveness in terms of emissions pricing.” (Petroleum Exploration and Production Association, 00114)

Competitiveness and impacts on economy

Several submitters, especially non-forestry NZ ETS participants, thought an important consideration was the competitiveness of New Zealand businesses, the impacts on the New Zealand economy and the importance of aligning with international carbon price.

“Price stability needs to include regular monitoring of the international costs of carbon and the evolution of trading and taxation schemes globally to ensure competitiveness and consistency.” (Doug Heffernan, 00045)

“It is critical that the Government ensures that the carbon costs faced by New Zealand businesses and households do not exceed the effective carbon cost in other countries.” (Methanex New Zealand Limited, 00137)

Rising price

As noted under question 22, many submitters suggested that the carbon price needs to increase over time, and that price mechanisms could be used to achieve this. Many submitters thought that the Government should consider what price is required to drive emissions reductions, such as forestry investments and investments in low-emissions technologies, when using price stability mechanisms.

Some submitters thought that the price should reflect the social cost of carbon, and that the carbon price should enable the NZ ETS to drive behaviour change and reduce domestic emissions.

“The NZ ETS will be effective at helping to shift investment, and increase afforestation rates, only if: i) the indicative carbon price is significant and rising; and ii) the market believes that the pricing arrangements will be maintained over the longer term and will not change with a change of Government” (Environment and Conservation Organisations of New Zealand, 00157)

“Prices that are excessively high or low undermine the performance of the NZ ETS against its objectives. However, the emphasis on achieving this should be on good design of the system’s fundamental price drivers rather than on price stabilisation mechanisms. The price level should reflect the level of ambition in the policy framework and clear signals about the direction of travel are required to deliver this.” (Shell New Zealand, 00085)

8. Operational and technical matters

8.1 Are you aware of ways the administrative efficiency of the NZ ETS could be improved? Can you provide further information to support your answer? (Questions 24 and 25)

In total, 123 submitters addressed the operational and technical matters questions in their submissions. Over half of these submitters (approximately 55 per cent) noted that they were aware of ways the administrative efficiency of the NZ ETS could be improved, while around 25 per cent stated they were not. The remaining submitters (approximately 20 per cent) were unsure or did not provide an explicit view.

Submitters who did not think there were ways the administrative efficiency of the NZ ETS could be improved often still provided information about their experience with the scheme. These submitters generally thought the NZ ETS was administered well, although a few submitters did acknowledge the scheme's complexity.

"Participation in the ETS is involved, but not difficult. The structure of the scheme has logic. The administrative requirements take professional dedication but the time required is not disproportionate to the importance of the process." (New Zealand Steel, 00044)

"Unsure – However, I am generally satisfied that the ETS administrative efficiency from a forestry perspective has been ok. It was a massive legislative and administrative change to NZ and has been introduced professionally and operated competently." (Ogle Consulting Limited, 00041)

Most submitters who thought there were ways the administrative efficiency of the scheme could be improved also provided further information, including suggestions or examples of possible improvements.

A key theme across submissions was that the NZ ETS is very complex, and that efforts should be made to reduce this complexity where possible. This was especially prominent among submissions from the forestry sector, with many submitters commenting on the complexity of some NZ ETS forestry settings, including the Forest Management Approach, the voluntary and mandatory emissions reporting timeframes, and cost of complying with emissions reporting requirements.

"It is reasonable to assume that many NZ ETS participants are not in the business of trading carbon units. An efficient Scheme with low compliance costs would enable participants to focus on running and ensuring the success of their businesses, not on complying with regulatory requirements." (Vector Limited, 04033)

"The NZ ETS for Post 1989 forest participants is complex through having a myriad of new terminology and concepts. However, the greatest complexity and cost is around managing the FMA approach for participants over 100 ha...." (Woburn Investments Limited, 00126)

Another common theme was a call for the Government to provide more information about the NZ ETS. These submitters sometimes noted that the NZ ETS was difficult to understand, and they thought that more education and communication with participants, and the broader public, would improve the scheme.

“It is a very opaque scheme that does not allow people to make informed choices and the impacts have been negligible so have been ignored. The way the ETS operates needs to be modified so that it is fully transparent so that we can see and understand what steps New Zealand is taking to address climate change, how effective these steps are, and how they are affecting prices for goods and services.” (The Sustainable Energy Forum, 05028)

As well as a call for more general NZ ETS information, a number of submitters discussed the need for access to additional carbon market data. These submitters provided suggestions for specific data that could be published, and emphasised the importance of the understanding the carbon market.

“Genesis Energy wants to see the NZ ETS evolve into a strong and appealing market for participants. As well as greater policy certainty, this requires improved market structures and greater liquidity. We are of the view that the NZ ETS needs to be viewed as a market, rather than a scheme, and carbon units need to be viewed as tradeable financial instruments.” (Genesis Energy, 00053)

“We support the introduction of appropriate market rules to improve the operational efficiency of the NZ ETS. Clear and concise market rules should reduce complexity around market participation and improve transparency around reporting and other compliance activities.” (Trustpower, 00088)

Some participants also discussed particular operational or technical matters that they thought could be improved. These were often specific to a certain aspect of the NZ ETS. Examples included improvements in how liquid fossil fuel opt-in participants report their emissions and improvements in how a unique emissions factor (UEF) is calculated for geothermal participants.

Other common suggestions to improve the administrative efficiency of the NZ ETS included reducing costs of compliance where appropriate; increasing flexibility regarding penalties; and simplifying the process for approving a UEF.

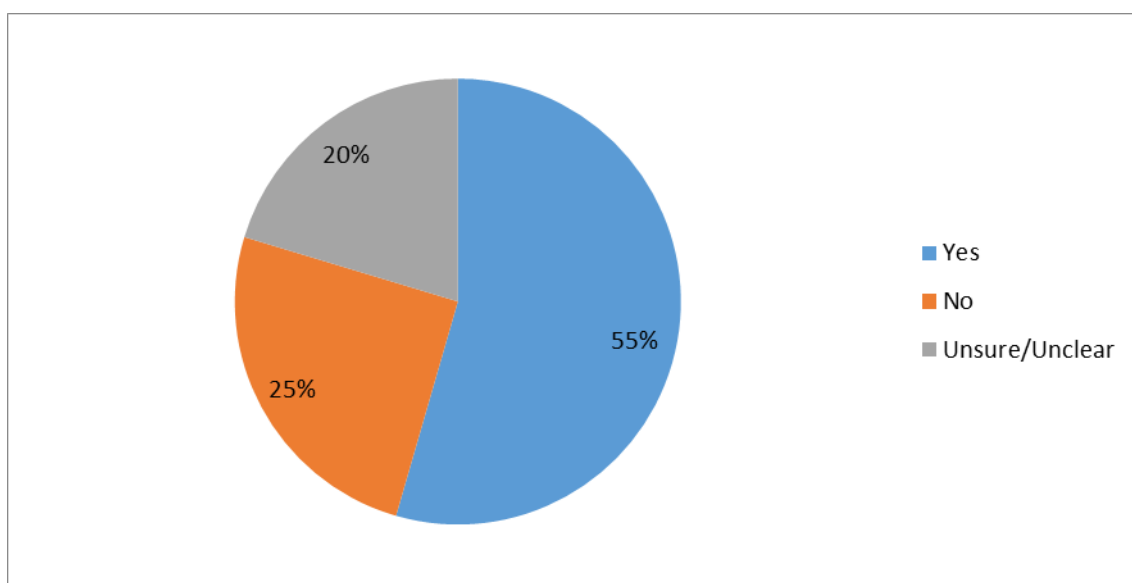
A number of issues raised by submitters in response to this question were discussed in detail in the *Forestry Technical Note* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-one) and the *Operational Matters Technical Note* (www.mfe.govt.nz/publications/climate-change/nz-ets-review-201516-summary-stage-two-annex-two).

Table 10: Submitter positions – Are you aware of ways the administrative efficiency of the NZ ETS could be improved?

	Yes	No	Unsure / unclear	Total
Agriculture	4	1	1	6
Business groups	0	0	0	0
Electricity	5	1	0	6
Forestry	20	7	6	33
Individual	8	8	8	24
Industrial processors	4	3	1	8
Iwi/Māori	4	0	2	6
Liquid fossil fuels (transport)	3	0	2	5
Local government	0	1	0	1
NGO and community groups	4	0	1	5

	Yes	No	Unsure / unclear	Total
Research and tertiary organisations	2	1	1	4
Stationary energy (excluding electricity)	3	2	2	7
Waste sector	5	5	0	10
Wood processors and manufacturers	1	0	0	1
Other	4	2	1	7
TOTAL	67	31	25	123

Figure 9: Submitter positions – *Are you aware of ways the administrative efficiency of the NZ ETS could be improved?*



9. Addressing barriers to the uptake of low emissions technologies

The Government's main policy response to reducing emissions is the New Zealand Emissions Trading Scheme (NZ ETS), but the NZ ETS alone will not drive New Zealand towards a low emissions economy. The carbon price incentive from the NZ ETS should encourage the efficient uptake of opportunities and technologies for reducing emissions. In some sectors or cases, however, there may be other market barriers or market failures that also need to be addressed.

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

In total, 118 submitters (approximately 35 per cent of all submitters) answered this question. The majority of these submitters (approximately 80 per cent) thought that there are barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions. Approximately two per cent did not think there were any barriers or market failures, and the remaining submitters were unsure or did not provide a clear position.

Regulatory certainty and the design of the NZ ETS and low carbon price

Submitters commonly identified a lack of regulatory certainty as a barrier for investing in low-emissions projects and technologies. Several submitters noted that uncertainty around NZ ETS settings and the low carbon price had prevented long-term investment decisions in low-emissions technologies.

"...clear and durable policy settings, which encourage long-term investment pathways, and effectively result in cross-subsidisation of low-emissions projects would most likely result in efficient uptake of opportunities and technologies for reducing the emissions." (Z Energy Limited, 00079)

Alignment between policies

A few submitters thought there should be a sector-by-sector analysis to identify any barriers and to identify any issues with current policies. Some submitters suggested a lack of integration of climate change considerations into wider Government policy reduced the uptake of low emissions technologies. A few submitters highlighted particular issues with consenting processes and urban planning under the Resource Management Act 1991. Other submitters noted issues with the Electricity Authority preventing investments in solar power.

"Two kinds of analysis are crucial. The first is quantitative analysis – number crunching. [b]The second is a scan of all aspects of government laws, regulations, and policies to identify barriers to reducing greenhouse gas emissions." (Parliamentary Commissioner for the Environment, 00047)

Transport

Many submitters commented on barriers and failures in the transport sector, with some noting that it would take a significant carbon price to impact demand for vehicle fuel. Several submitters also discussed barriers to increasing the use of electric vehicles, such as lack of charging infrastructure.

“Transport electrification will substantially reduce our emissions while improving our balance of payments, offering significant fuel cost savings to consumers (equivalent to 30c per litre of petrol according to EECA) and reducing health related costs due to poor air quality. While an effective carbon price will assist in realising these benefits, there remain a number of non-price barriers that could be addressed to encourage electric vehicle uptake. Public electric vehicle charging infrastructure is also important to promote consumer confidence around reliability and range of electric vehicles.” (Mighty River Power, 00152)

Barriers and market failures are different for each sector

Across all sectors, many submitters noted that a major barrier to reducing emissions was a lack of viable low-emissions alternatives in their industry. Submitters also commented on issues that were specific to their sector or business. Examples of sector-specific barriers included issues with the pricing of distributed electricity generation, which could impact the uptake of solar electricity generation; expensive approval processes for new, lower emissions chemicals; and unintended consequences of waste regulations.

Some submitters also noted that a lack of funding, from both Government and business, meant investments were not being made in new low-emissions technologies. Some submitters also noted there was a lack of expertise in New Zealand that meant opportunities for reducing emissions were not being taken advantage of.

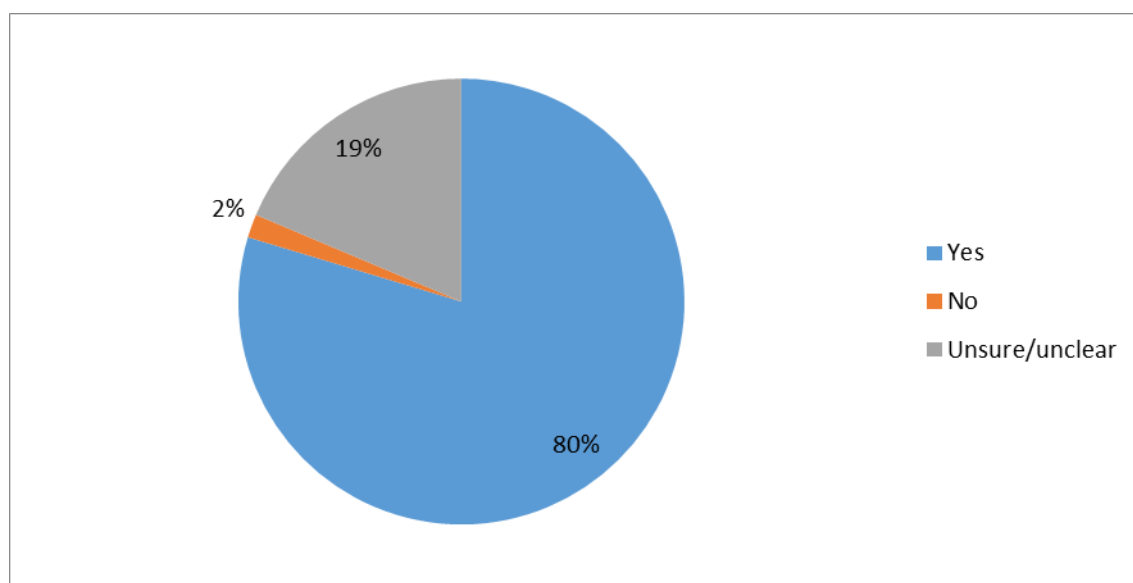
“The ETS drives carbon reduction, but there is no market incentive to research alternative opportunities for carbon sequestration (e.g., riparian planting, biochar). As a reflection of the NZ ETS design, Ballance undertakes limited research into greenhouse gas emission reductions through the agriculture sector. This is because the current scheme design provides no market incentive to invest in the significant opportunities of carbon soil sinks or nitrous oxide reduction through inhibitors.” (Ballance Agrinutrients, 00074)

Table 11: Submitter positions – Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?

	Yes	No	Unsure / Unclear	Total
Agriculture	7	0	0	7
Business groups	5	0	0	5
Electricity	5	0	2	7
Forestry	18	0	3	21
Individual	16	1	3	20
Industrial processors	4	0	3	7
Iwi/Māori	2	1	3	6
Liquid fossil fuels (transport)	2	0	3	5
Local government	3	0	1	4
NGO and community groups	6	0	0	6

	Yes	No	Unsure / Unclear	Total
Research and tertiary organisations	5	0	0	5
Stationary energy (excluding electricity)	2	0	2	4
Waste sector	8	0	0	8
Wood processors and manufacturers	1	0	1	2
Other	10	0	1	11
TOTAL	94	2	22	118

Figure 10: *Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?*



9.2 If so, is there a role for the Government in addressing these barriers of market failures and how should it do this? (Question 27)

One hundred and nine submitters (around 30 per cent) answered this question. Only four submitters commented that there was no role for the Government in addressing barriers and failures.

Incentivise low emissions technologies

Submitters commonly noted that the most important role for Government in addressing market barriers and failures is to incentivise low-emissions technologies. Several submitters also thought that the Government should provide more funding for low-emissions technologies and forestry programmes.

“IGCC also believes there is a role for climate change policy to facilitate and accelerate technological and market support for climate change solutions. Policy responses should incorporate the flexibility required to support investment in the innovation, clean energy and CleanTech solutions required to reduce the market costs of transition. Supporting

private sector investment and growth opportunities will ultimately reduce public costs and deliver greater cost effectiveness.” (Investor Group on Climate Change, 00201)

Supporting policies to reduce barriers

Many submitters thought that other policies outside the NZ ETS need to be introduced to reduce barriers. A few submitters suggested that, as a first step, current policies should be analysed to identify any misalignments with encouraging the uptake of low emissions technologies. Several submitters provided specific suggestions for where the Government should intervene to overcome barriers. These included providing more investment, research, funding and policy improvements in a variety of areas, including electric vehicles; public transport; freight transportation by rail or ship; bioenergy; electricity generation and distribution; urban planning; building improvements and waste disposal.

“The ETS is only one tool within the government’s policy tool box (e.g., incentives for electric vehicles or renewable energy, public funding to retire agricultural land).” (Ballance Agrinutrients, 00074)

Consider all greenhouse gases and all sectors

Several submitters mentioned the need for equity in NZ ETS settings, highlighting the importance of finding a way to reduce emissions from all sectors. Some, however, noted that for those sectors not currently covered by the NZ ETS, other mechanisms could be equally important.

“Government needs to treat all parties equitably, without favouring others’ interests who may have financial gain as their main driver to an extent where they are prepared to act in a manner that may not be in the best interests of the land, earth, sea and sky, and those of the people.” (Ngāti Hine Forestry Trust, 00066)

Communicate clearly and encourage certainty

Some submitters highlighted the importance of engaging with businesses, local government and communities. They also called for further education on the NZ ETS, to encourage greater understanding. A number of submitters suggested that education, if combined with engagement from the Government, would encourage the use of low emissions technologies.

“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.” (Individual, 05025)

Increased predictability

A number of submitters also commented that having predictable climate change policies would reduce barriers to low-emissions technologies. Some of these submitters noted that having a plan to address climate change would help provide this sort of predictability. Others recognised that cross-party support would also provide more certainty.

“The government needs to create a low carbon development plan that demonstrates, sector by sector, how emissions reduction will be achieved over time. Set in place policies to kick start the transition. Critical in kick starting the transition towards a low carbon economy will be facilitating a ‘whole of government’ approach. While challenging to implement, will be essential to it ensure the various arms of government are pulling in the same direction. There is also a need for transparency in reporting back to parliament and the public on whether we are on-track to meet emissions reduction targets”. (WWF New Zealand, 00028)

Appendix 1: Consultation meetings

Targeted consultation meetings held during stage two of the review

Stakeholders were invited to targeted consultation meetings to discuss the second stage of the New Zealand Emissions Trading Scheme (NZ ETS) review. These meetings focused on the 'other issues' from the discussion document, and included discussion of the following topics:

- NZ ETS supply and demand
- barriers to the uptake of low emission technology
- forestry matters
- technical operation of the NZ ETS.

Meetings were held on a regional basis, with cross-sectoral attendance at each meeting. Attendees were encouraged to stay for the whole day, but welcome to attend parts of the meeting. A Skype meeting was held for people unable to attend one of the other meetings.

Stakeholders were directly contacted by officials, and all NZ ETS participants were informed of targeted meetings through an Environmental Protection Authority newsletter. Invitees were encouraged to provide the Ministry for the Environment with details of anyone else interested in attending meetings so they could be invited also.

NZ ETS review stage two meetings

Date	Location	Approx. number of attendees
5 April 2016	Wellington	32
6 April 2016	Wellington	30
7 April 2016	Auckland	22
8 April 2016	Auckland	15
11 April 2016	Christchurch	25
12 April 2016	Dunedin	16
13 April 2016	via Skype	13
15 April 2016	Rotorua	28

The meetings provided information on the issues being considered in the second stage of the review. This was to help attendees write their submissions, and allowed officials to gather initial feedback on the questions being asked. Key themes raised in these meetings included:

- future supply of units in the NZ ETS
- different carbon accounting options for post-1989 forestry
- operational improvements to the NZ ETS
- the need for ongoing, regular engagement from the Government.

Appendix 2: List of submitters

Name/organisation	Unique number
AB Lime	00029
Air New Zealand	00151
Allen, Elisabeth	00159
Anderson, C Patrick	00125
Anderson, Marlene	00110
Anonymous	02003
Anonymous	02005
ArborGen and Devenish Ltd	05000
Auckland Council	00019
Ballance Agrinutrients	00074
Ballantine, Trudy	00015
Barr, Hugh	00145
Bathurst Resources	00050
Beef+Lamb New Zealand, Deer Industry New Zealand and Meat Industry Association	00134
BetterWorld NZ	02014
Bioenergy Association	00070
Birchfield Coal Mines Limited	02051
Blakely Pacific Limited	00017
BOC	00155
BP Oil New Zealand	00135
Bradley, Francesca	02037
Brill, Barry	00174
Brown, Brendan	02010
Business Central	00147
Business New Zealand	00131
Cameron, Gordon	02007
Campbell-Hunt, Colin	04037
Carbon Farm Limited	00121
Carbon Forest Services Limited	00081
Caritas Aotearoa New Zealand	00080
Castlepoint Station Limited/ Wai Ngaio Ltd	05006

Name/organisation	Unique number
Chapman, Ralph, Renwick, James and Dodge, Nadine (Victoria University, Wellington)	00156
Chevron New Zealand	00013
City Forests	00032
Clark, Diana and Frank	05022
Clark, Ross	00113
Climate Change Iwi Leaders Group	00180
Climate Justice Taranaki Inc.	00120
CNI Iwi Holdings Limited	03006
Contact Energy	00143
Corbett-Davies, Joseph	02034
Cown, David	02055
Craigmore Forestry Limited	00105
Dairy Companies Association of New Zealand	00146
Dairy NZ	00076
Daly, Sharon	00014
Davidson, Michael	04035
De Lu, Dirk	00026
DeVantier, Lyndon	00117
Diaz-Rainey, Ivan and Tulloch, Daniel J.	04026
Downing, Zella	00150
Dunedin City Council	04013
Earthwater Environmental Consulting	02006
Edwards, Graeme	00011
Elwell-Sutton, Paul	00008
Employers & Manufacturers Association	00098
Energy Management Association of New Zealand	04025
Engineers for Social Responsibility	00025
Environment and Conservation Organisations of New Zealand	00157

Name/organisation	Unique number
Environmental Defence Society	00065
EnviroNZ	00149
Ernslaw One Limited	04031
Evonik Peroxide Limited	00021
Farrell, Nicholas Brian	02031
Federated Farmers of New Zealand	00115
Federation of Maori Authorities	00140
Fitzsimons, Jeanette	00030
Fletcher Building Limited	00051
Flightworks	00108
Fonterra Co-operative Group	00144
Forest & Wood Action Group	05016
Forest Management Limited	00024
Forest Management NZ Limited	05007
Frame, Dave (Victoria University Wellington)	02000
Fursdon, Sonia	02019
Futures Committee of the Religious Society of Friends (Quakers) of Aotearoa New Zealand	00037
Geddes, Patrick	02035
Generation Zero	00198
Genesis Energy	00053
Gibbons Holdings Limited	00130
Gifford, Murray	05011
Gilmore, Shannon	02043
Graeme, Basil and Anne	00164
Graeme, Kate	02053
Graymont	00048
Greater Wellington Regional Council	00197
Green Party of Aotearoa New Zealand	00124
Guardians of New Zealand Superannuation	00077
Gull New Zealand Limited	03009

Name/organisation	Unique number
Hall, David	05010
Hall, Peter William	04003
Harbour Head	05001
Harding, Bill	04021
Hastings District Council (Omarunui Landfill)	00127
Hearle, Kevin	00023
Heffman, Doug	00045
Henderson, Neil	00118
Holcim (New Zealand)	00038
Horizons Regional Council	00027
Horowhenua District Council	05024
Horticulture New Zealand, Vegetables New Zealand Inc. and Tomatoes New Zealand	03004
Hyson, Michael	00005
IFS Growth Limited	04004
Independent Electricity Generators Association	04027
Industrial Symbiosis Kawerau	05014
Inglis, Murray	00031
International Emissions Trading Association	04006
Investor Group on Climate Change	00201
Jenkin, Rosalee	02050
Johnston, George	02048
Jonasen, Chris	04001
Jones, Philip	02021
JTL Carbon Farming Consultancy Limited	02024
Kahui, Jean	00100
Kaipara Hills Forest Partnership	02002
Keith, Suze	02016
Kerr, Suzi and Leining, Catherine	00158
Kim, Victoria	02032
KiwiRail	02029
Kupa, Tania Huata	04020

Name/organisation	Unique number
Lake Taupo Forest Trust and the Lake Rotoaira Forest Trust	00139
Lambert, Rod	05015
Landcare Research	04034
Lansdowne Forestry Limited and Fraser Forest Partnership	03001
Laurie Forestry Limited	02020
Leijen, Linda and Sam	04036
Lees-Green, Rachel	02038
Lindsay, Catherine	00001
Livesey, Chris	00016
Lloyd, David	06000
LN Bosman Limited	04024
Macey, Adrian (Victoria University, Wellington)	00046
Mackwell Locomotive Company Limited	05027
MacLennan, Anne	00208
MacTavish, Dugald	05026
Main, Nicholas	00078
Manks, Jeremy	00087
Mapp, Jennifer	00170
Margaree Consultants Inc	02004
Margules Groome Consulting	02017
Marlborough District Council	00010
Marquardt, Maurice	02022
Mason, Professor Euan G.	00136
Matariki Forests	04019
Maxted, Suzanne	02012
McClintock, Murray	02046
McEwen, Andrew	00184
McGuiness Institute	05023
Meads, Sarah	00187
Meridian Energy Limited	00057
Methanex New Zealand Limited	00137
Mighty River Power	00152
Moana Ola Pasifika Public Health Network	00202

Name/organisation	Unique number
Moleta, Nick	02044
Morgan Foundation	00093
Morgan Foundation (form submission x49)	
Mortimer Forestry Management	00004
Motor Industry Association of New Zealand	00090
MRCagney Pty Limited	00099
Mueller-Glodde, Rolf	04000
Murupaenga-Ikenn, Catherine	04010
National Council of Women New Zealand	00042
National Energy Research Institute	00040
Natural Solutions Marine & Terrestrial Ecologists Ltd	05019
New Zealand Automobile Association Incorporated	00082
New Zealand Carbon Farming Group	00069
New Zealand Coal and Carbon Limited	00094
New Zealand Council of Trade Unions Te Kauae Kaimahi	00153
New Zealand Farm Forestry Association	00022
New Zealand Forest Owners Association	00039
New Zealand Green Building Council	00086
New Zealand Institute of Forestry	00083
New Zealand Labour Party	00103
New Zealand Native Forests Reforestation Trust	03000
New Zealand Nurses Organisation	00181
New Zealand Oil and Gas Limited	00160
New Zealand Shipping Federation	00101
New Zealand Steel	00044
New Zealand Timber Industry Federation	05005

Name/organisation	Unique number
New Zealand Wind Energy Association	00052
New Zealand Youth Delegation	00205
Ngāti Hine Forestry Trust	00066
Northland Regional Landfill Partnership	02042
Northland Waste	00112
Nortona Limited	03003
O'Connor, Katie	00141
Ogle Consulting Limited	00041
O-I ACI Operations New Zealand Limited	04030
Oji Fibre Solutions	00071
Oliver, Jared	02057
Olorenshaw, Peter	02025
OraTaiao: The New Zealand Climate and Health Council	00203
Origin Energy	00089
Otago Regional Council	03010
Owhaoko B&D Trust	02054
Pacific Aluminium	00122
Papps, Simon	05002
Parker, John	02033
Parliamentary Commissioner for the Environment	00047
Pastoral Farming – Climate Research	00072
Paterson, Matthew	00058
Penwarden, Rosemary	00209
Permanent Forests New Zealand Limited	00054
Petroleum Exploration and Production Association	00114
PF Olsen	00006
Phillips, Brent	02047
Pioneer Energy	00133
Pivac, Jack	02018
Pivac, Steve	00096
Poole, Barry (Kakaho Bay Limited)	00035

Name/organisation	Unique number
Powerco	04009
Preddy, George	04005
Proprietors of Nuhiti Q Incorporation	05018
Pugmire, Sue	00063
Pukaki Forestry Limited	00097
Purchase, Rosalie	05020
Pure Advantage	05008
Rameka Forest Restoration Charitable Trust	00091
Rangitikei District Council	00007
Refining NZ	00148
Roberts, Martin	02028
Robertson, Jodie	02045
Robson Holdings Limited	02009
Rotorua Lakes Council	00075
Rushton, Emily	02058
Schwartfeger, Luke	02040
Scion (New Zealand Forest Research Institute)	00186
Senanyake, Pubudu	02041
Sharp, Sarah	02049
Shearer, Ian	02026
Sheha, Anver	02027
Shell New Zealand	00085
Shirley, James	02059
Southern Forests NZ Limited and Carbon Solutions NZ Limited	05003
Springford, Liz	05025
Springford, Owen	00020
Stinson, Chris	02036
Straterra	00102
Sustainability Council of New Zealand	00204
Sustainable Business Council	00111
Sustainable Initiatives Aotearoa	02023
Taranaki Energy Watch Inc	00142
Taumano Limited	00172

Name/organisation	Unique number
Taupo District Council	00061
Tauranga Carbon Reduction Group	00067
Taylor, George	00043
Te Rūnanga o Ngāi Tahu	00154
Te Rūnanga o Ngāti Apa	03011
Te Tumu Paeroa	00095
Tegel Foods Limited	00185
Temperzone	03005
Tewhiti, Terry	02013
The Carbon Shop	05017
The Omapere Taraire E & Rangihama X3A Ahu Whenua Trust	05021
The Properties of Hauhungaroa 1 C Incorporation	02011
The Sustainable Energy Forum	05028
Thompson, Geoffrey	05012
Thorn, Therese	00003
Todd Corporation	00200
Toop, Martin	00064
Transwaste Canterbury Limited	02052
Trustpower	00088
Tunakino Forestry Limited	03002
Vector Limited	04033
Victoria University of Wellington Students Association	00207
Vivid Economics	05009
Waiheke Local Board	00211
Waikato Regional Council	03007
Waitemata Local Board	00210
Walker, Neil	00009
Warren Forestry Limited	00092
Waste Management New Zealand Limited	00129
Weatherburn, Finlay	05004

Name/organisation	Unique number
Wellington City Council	00084
Wellspring Farms and Forests	00002
Wendekreisen Travel Limited	00012
Westland Milk Products	03008
Westpac New Zealand Limited	00132
Whangarei District Council	00163
Whittaker, John	04015
Wise Response Society	04029
Woburn Investments Limited	00126
Wood Council of New Zealand	00116
Wood Processors and Manufacturers of New Zealand	00119
Woodnet	00109
Woodrow, Neil	02056
WWF New Zealand	00028
Z Energy Limited	00079

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