

Date: August 2009

Reference number:  
CAB Min (09) 31/10

Portfolios: Climate Change Issues / Energy and Resources

On 31 August 2009, Cabinet:

## Background

- 1. **noted** that the Climate Change Response Act 2002 (the Act):
  - 1.1 requires participants in the Stationary Energy and Industrial Processes (SEIP) sectors of the New Zealand Emissions Trading Scheme (NZ ETS) to enter the NZ ETS on 1 January 2010;
  - 1.2 requires Liquid Fossil Fuel (LFF) sector participants to undertake mandatory reporting from the same date;
- 2. **noted** that it is necessary to have regulations to support the entry of the SEIP and LFF sectors into the NZ ETS gazetted by 1 October 2009;

## SEIP regulations

- 3. **noted** that in July 2008, the previous government agreed in principle to the recommended methodologies for the SEIP and other removal activities regulations [POL Min (08) 11/12];
- 4. **confirmed** the following in-principle proposals for the recommended methodologies for the SEIP regulations referred to in paragraph 3 and revised to reflect the proposals in paragraph 5 below:
  - 4.1 mandatory participants will be required to monitor their emissions based on measurement points specific to each activity;
  - 4.2 mandatory participants will be required to deduct certain things from their emissions calculation, including tonnes of coal or petajoules of natural gas that are exported;
  - 4.3 voluntary participants who opt in to the scheme for coal or gas will be required to monitor emissions from the coal or natural gas purchased from their suppliers who would otherwise be required to be mandatory participants for that coal or natural gas;
  - 4.4 the calculation of emissions will account for emissions of carbon dioxide, methane, and nitrous oxide, and reflect the degree of oxidation, where appropriate;
  - 4.5 those who are required to calculate emissions by reference to a default emissions factor in the SEIP regulations will be able to apply for approval by the Chief Executive of a unique emissions factor, where appropriate;
- 5. **approved** the following policy amendments to the SEIP regulations:
  - 5.1 default emissions factors will be based on the best quality data available that is consistent with the approach taken in New Zealand's greenhouse gas inventory;

- 5.2 participants reporting on the activity of mining natural gas, other than for export, will report direct measurements of the carbon content of all gas sold, other than to opt-in participants;
- 5.3 participants reporting on the activity of purchasing natural gas from one or more participants who mine natural gas, where the total natural gas purchased exceeds 2 petajoules per annum, will report direct measurements of carbon content of all gas purchased where available, or use the appropriate field-specific emissions factors published by the Chief Executive of the administering agency;
- 5.4 participants reporting on industrial process activities other than producing aluminium will record the total number of tonnes of pure chemical substance contained in inputs or outputs, determining the proportion of impurity or variability as appropriate according to established industry procedures, and multiply this by a fixed emission factor;

## Unique emissions factor regulations

- 6. **noted** that in April 2009, the Cabinet Economic Growth and Infrastructure Committee agreed to a framework for participants in the SEIP and LFF sectors to apply for a unique emissions factor, and invited the Minister for Climate Change Issues to report back prior to seeking final policy and legislative approval for regulations [EGI Min (09) 6/6];
- 7. **agreed** to minor changes to the framework referred to in paragraph 6 above, so that the process is as outlined in Appendix 1 of the paper under CAB (09) 502;

## Removal regulations

- 8. **noted** that in July 2008, the previous government agreed that “there will be a verification process for participants who embed substances that would cause emissions, thereby carrying out a removal activity” [POL Min (08) 11/12];
- 9. **rescinded** the decision referred to in paragraph 8 above, as this would create unnecessary regulatory burdens for this activity;

## LFF (amendment) regulations

- 10. **agreed** to the following default emissions factors for the LFF sector, in accordance with the annual review of default emissions factors for LFF set out in Appendix 3 of the paper under CAB (09) 502:

Light fuel oil	2.929 (tCO <sub>2</sub> e/kl)
Heavy fuel oil	3.015 (tCO <sub>2</sub> e/kl)

## Next steps

- 11. **invited** the Minister for Climate Change Issues to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above proposals;
- 12. **invited** the Minister for Climate Change Issues to submit a paper on the SEIP regulations, the unique emissions factor regulations, the other removal activity regulations, and the LFF amendment regulations to the Cabinet Legislation Committee, in order to promulgate these regulations by 1 October 2009;
- 13. **noted** that the Minister for Climate Change Issues intends to publish the paper under CAB (09) 502 and related Cabinet decisions online, subject to any necessary withholdings that may be required under the Official Information Act 1982.

Secretary of the Cabinet  
Reference: CAB (09) 502