Impact Summary: NZ ETS Improvements – Industrial Allocations for Consolidated Groups

Section 1: General information

Purpose
The Ministry for the Environment is solely responsible for the analysis and advice set out in this Regulatory Impact Statement. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by Cabinet.
Key Limitations or Constraints on Analysis
There are no limitations or constraints on the analysis in this summary.
Responsible Manager (signature and date):
MCowie Matthew Cowie Manager – Climate Change Policy Climate Change Directorate Ministry for the Environment **Date:** 22/11/18 *A Quality Assurance Panel with representatives from the Ministry for the Environment and the Treasury Regulatory Quality Team has reviewed the Regulatory Impact Assessment (RIA) "Impact Summary: NZ ETS Improvements – Industrial Allocations for Consolidated Groups" produced by the Ministry for the Environment and dated November 2018. The panel considers that it meets the Quality Assurance criteria.* *More detail on the assessment of this and the other RIAs can be found at: [link to be added].*

Section 2: Problem definition and objectives

2.1 What is the policy problem or opportunity?

The NZ ETS legislation allows consolidated groups to be established to report emissions and carry out surrenders. Consolidated groups avoid the need to manage multiple accounts for large corporates.

Some industrial participants in the New Zealand Emissions Trading Scheme are eligible for annual allocations of emission units.

The NZ ETS legislation does not allow an industrial allocation to be transferred into a consolidated group account, requiring entities to hold multiple accounts.

2.2 Who is affected and how?

Parties affected by this problem are those entities who are part of a consolidated group, who are eligible for an allocation and must hold a separate account to receive allocations of units. The proposal will contribute to administrative efficiency and simplicity, enabling consolidated groups to both receive allocations and surrender units from the same account.

2.3 Are there any constraints on the scope for decision making?

There are no constraints on the scope for decision making, or interdependencies or connections, other than that resolution could require amendment to primary legislation.

Section 3: Options identification

3.1 What options have been considered?

The Government proposes to amend the NZ ETS legislation to allow industrial allocations to be transferred to a consolidated group account.

No other options were considered, other than to retain the status quo.

3.2 Which of these options is the proposed approach?

The preferred option is to allow industrial allocations to be transferred by the regulator to a consolidated group account.

This option increases the flexibility of participants to manage obligations and reduces their administrative costs. The option also improves the consistency with other uses of consolidated groups in the NZ ETS, and reduces administrative costs for the regulator who will be able to transfer aggregate allocations instead of making multiple individual transfers to each eligible entity

Section 4: Impact Analysis (Proposed approach)

4.1 Summary table of costs and benefits

Affected parties *Entities who are part of a consolidated group and regulators*	**Comment**: nature of cost or benefit (eg ongoing, one-off), evidence and assumption (eg compliance rates), risks	**Impact** *$m present value, for monetised impacts; high, medium or low for non-monetised impacts*
Additional costs of proposed approach, compared to taking no action		
Regulated parties	New minor administrative costs at the consolidated group level	Low
Regulators		Nil
Wider government		Nil
Other parties		Nil
Total Monetised Cost		Low
Non-monetised costs		Nil
Expected benefits of proposed approach, compared to taking no action		
Regulated parties	Reduced administrative costs at individual form level who are part of consolidated groups	Low
Regulators	Reduced administrative costs through ability to aggregate allocations to a consolidated group level	Low
Wider government	Improved NZ ETS consistency with the use of consolidated groups	Low
Other parties		Nil
Total Monetised Benefit		Low
Non-monetised benefits		Low

4.2 What other impacts is this approach likely to have?
There will be no other impacts.

Section 5: Stakeholder views

5.1 What do stakeholders think about the problem and the proposed solution?
Consultation was held on this proposal within a package of planned NZ ETS improvements over August - September 2018. The consultation document sought views on the proposal to allow industrial allocations to be transferred to a consolidated group. There was near unanimous support for the proposal from those submitted on it. Submissions noted the increased flexibility it would allow. The one opposed submitter was concerned about the complexities of consolidated accounting. That issue is out of scope of this problem.

Section 6: Implementation and operation

6.1 How will the new arrangements be given effect?
This proposal is one of several operational changes that will be carried through to the proposed Climate Change Response Amendment Bill in 2019, and come into effect from 1 January 2020.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?
The scheme regulator will continue to monitor the annual industrial allocation adjustments of participants once the new arrangements are implemented, including compliance performance.

7.2 When and how will the new arrangements be reviewed?
No review of the arrangements is planned.