



Cabinet Environment, Energy and Climate Committee

Minute of Decision

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New Zealand Emissions Trading Scheme Tranche Two: Cancellation and Replacement of Kyoto Units in Private Accounts

Portfolio Climate Change

On 4 April 2019, the Cabinet Environment, Energy and Climate Committee:

- 1 **noted** that the New Zealand Emissions Trading Scheme (NZ ETS) is the government's key tool to assist New Zealand to meet its climate change targets, and that:
 - 1.1 the government is reforming the NZ ETS to ensure it can support the transition to a low-emissions and climate resilient New Zealand;
 - 1.2 this requires amendments to the Climate Change Response Act 2002 (CCRA);
- 2 **noted** that the amendments are being developed in tranches;
 - 2.1 in December 2018 Cabinet agreed to tranche one of amendments to the CCRA and drafting has commenced [CAB-18-MIN-0606.01];
 - 2.2 tranche two comprises of a series of papers with discrete proposals which will be considered by Cabinet over March to May 2019;
 - 2.3 tranche one and two will result in a single bill amending the CCRA to be introduced to the House in mid-2019, and to enter into force in 2020;
- 3 **noted** that the previous government made decisions in 2013 to, upon receiving an expected direction from the UNFCCC about expired units, cancel:
 - 3.1 New Zealand-issued Assigned Amount Units in private accounts and replace them with an equivalent number of New Zealand Units, if they could not be carried over;
 - 3.2 Certified Emissions Reduction Units, Emission Reduction Units and Removal Units from the first commitment period held in private accounts;

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- 4 **noted** that:
 - 4.1 participants in the NZ ETS were consulted on these decisions in 2013;
 - 4.2 the context for the 2013 Cabinet decisions has now changed, and New Zealand has not received any direction from the UNFCCC to cancel or carry over units;

- 4.3 while imported Assigned Amount Units were not included in the 2013 decision, the policy intent was to encompass all units from the first commitment period of the Kyoto Protocol other than New Zealand-issued Assigned Amount Units;
- 4.4 Kyoto units other than New Zealand-issued Assigned Amount Units are of negligible value;
- 5 **agreed** in principle, subject to targeted engagement with relevant stakeholders to amend the CCRA to:
- 5.1 cancel New Zealand-issued Assigned Amount Units in private accounts
- 5.2 replace New Zealand-issued Assigned Amount Units in private accounts with an equivalent number of New Zealand Units;
- 5.3 cancel, without compensation, Assigned Amount Units from overseas registries, Certified Emissions Reduction Units, Emission Reduction Units and Removal Units from the first Kyoto commitment period held in private accounts;
- 5.4 implement these decisions on 30 November 2020;
- 6 **directed** the Ministry for the Environment, to undertake targeted engagement with relevant stakeholders on the in-principle proposal described in paragraph 5;
- 7 **authorised** the Minister for Climate Change to further clarify policy decisions relating to the in-principle amendments proposed in the paper under ENV-19-SUB-0012, in a way not inconsistent with Cabinet's decisions
- 8 **invited** the Minister for Climate Change to issue drafting instructions to the Parliamentary Counsel Office based on the agreed decisions and "in principle" decisions in the paper under ENV-19-SUB-0012;
- 9 **noted** that the Minister for Climate Change will report back to the Cabinet Environment, Energy and Climate Committee to detail the results of the engagement and confirm the relevant proposals prior to agreeing to introduce the CCRA amendment bill.

Vivien Meek
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson
Hon David Parker (Chair)
Hon Stuart Nash
Hon Shane Jones
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Officials Committee for ENV
Ministry for the Environment officials

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Minister for Climate Change