



The New Zealand Emissions Trading Scheme

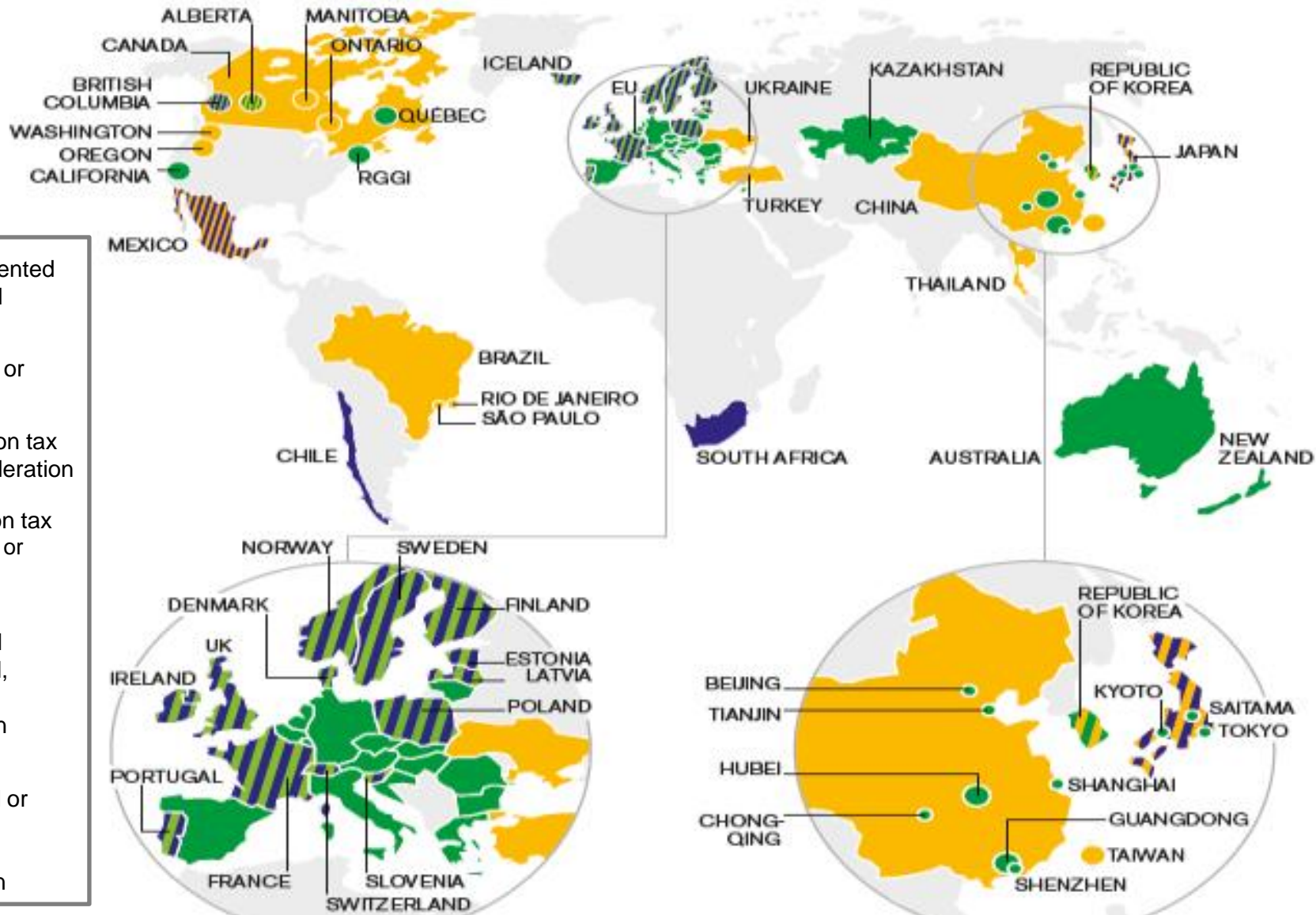
New Zealand Emissions Trading Scheme Review 2015/16

Australia-New Zealand Climate Change and Business Conference

October 2016



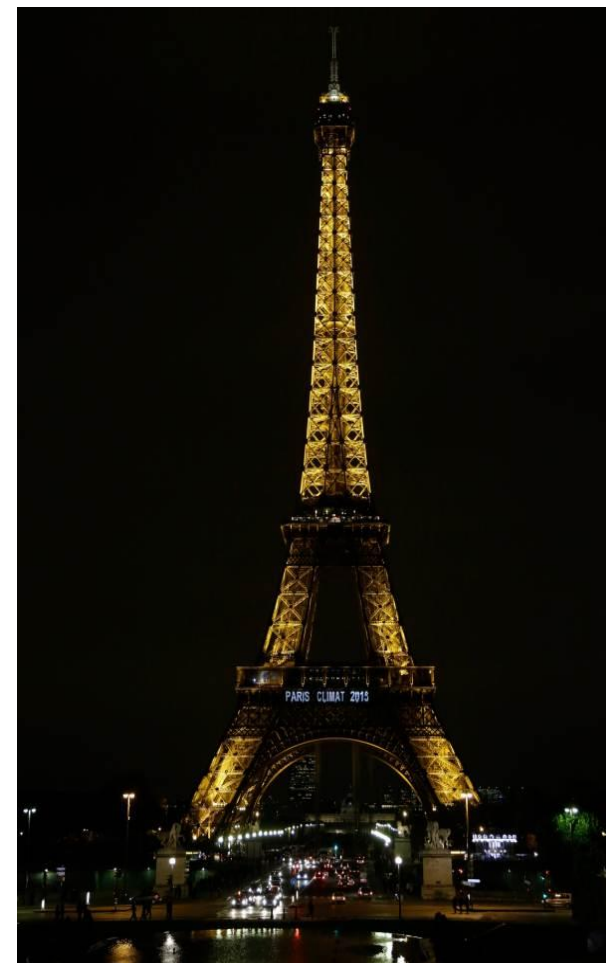
The New Zealand Emissions Trading Scheme



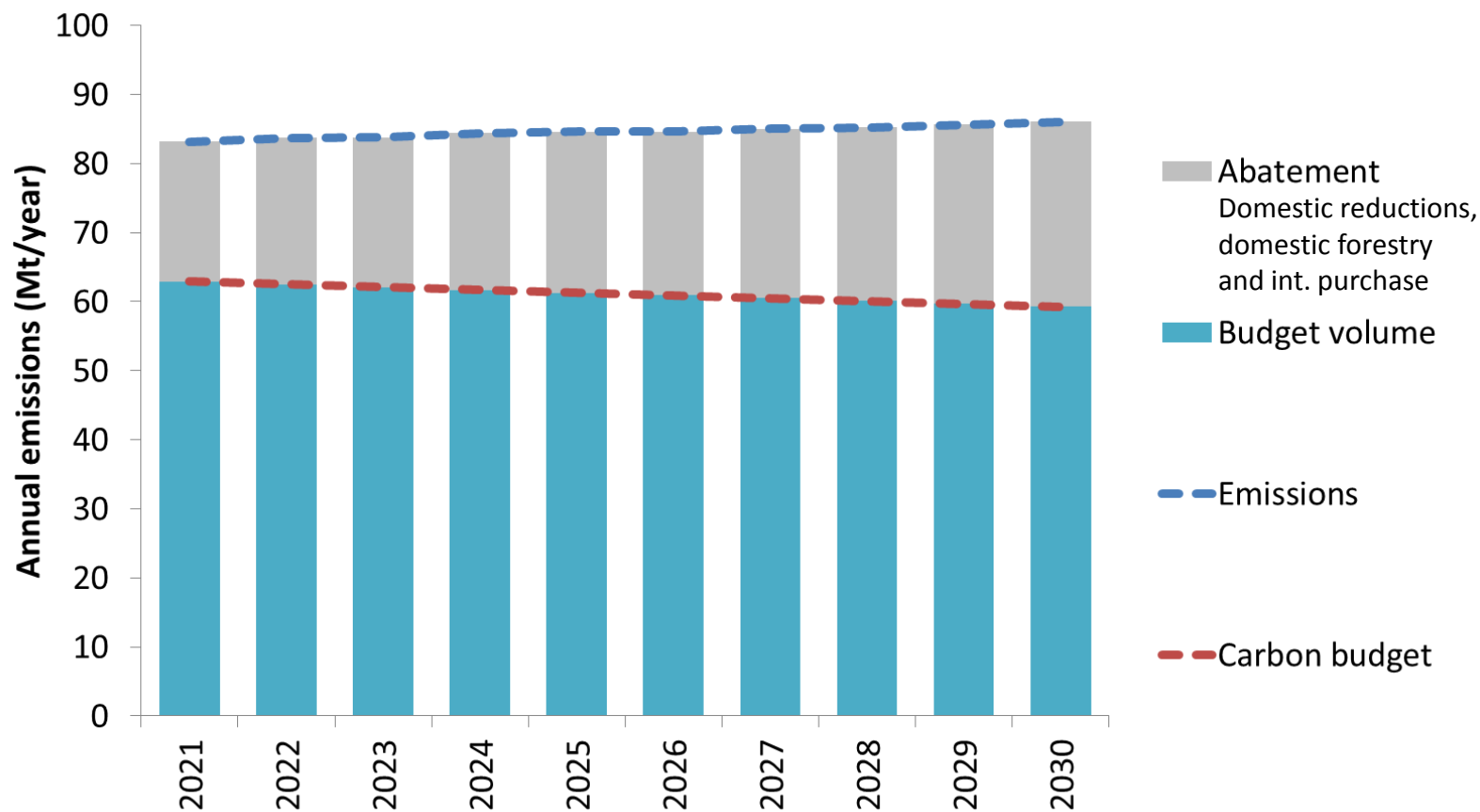
- ETS implemented or scheduled
- Carbon tax implemented or scheduled
- ETS or carbon tax under consideration
- ETS & carbon tax implemented or scheduled
- ETS implemented or scheduled, tax under consideration
- Carbon tax implemented or scheduled, ETS under consideration

The Paris Agreement

- » NZ has ratified the Paris Agreement
- » Target is 30% reduction below 2005 levels by 2030 and we will need to increase ambition for future targets
- » Paris is a truly global agreement
- » Focus is now on what we need domestically to meet our emissions reduction targets.



The task at hand...



How we will meet our Paris target

- » We need to look across the board for emission reductions, including:
 - » **Reducing domestic emissions**
 - » necessary to 'bend the curve'
 - » **Increasing new forest planting**
 - » every tonne delivered through forestry avoids the need to purchase a reduction from overseas
 - » **Purchasing international emission reductions**
 - » environmental integrity is crucial

The NZ ETS and Paris

- » The NZ ETS is a key tool for helping to meet our 2030 target (objective of the NZ ETS)
- » The NZ ETS was designed under Kyoto Protocol
- » The review of the NZ ETS is our chance to ensure it is fit for purpose under Paris

Other measures are also needed

- » The NZ ETS is the basis of NZ's climate policy, but we need other measures to help the transition



Opportunities to help the transition

- » NZ ETS review- more on this shortly
- » Ministers have announced expert groups
 - » Biological Emissions Reference Group
 - » Forestry Reference Group
 - » Adaptation - group of technical experts

NZ ETS review process

- » **Stage I** has concluded
 - » Decision to phase out one-for-two measure
- » **Stage II** ongoing
 - » No policy proposals yet
 - » We will need your input as policy options are developed
 - » Policy decisions on stage II are expected mid-2017. If leg changes are required we expect these to happen in 2018.

What we heard during the review

» **Policy stability was the #1 theme**

“What business want is predictability and stability of the conditions and frameworks in which they operate so they can plan with greater confidence” Business NZ

“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

» **Long-term plan for domestic reductions**

“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.” Parliamentary Commissioner for the Environment

What we heard during the review

» **Unit supply**

“any attempt to bring additional supply into the market, either through auctioning or via international units, should be done so with the intent of aligning supply in the NZ ETS more closely with international targets...” BP Oil NZ Ltd

» **Environmental integrity of international units**

“the environmental integrity of eligible international units is critical, so restrictions on the source of eligible international units may be needed. The Government should work with business to identify the markets that provide credible units.” O-I New Zealand

Issues being considered in stage II include

- » **Unit supply options in the 2020s**
 - » how NZUs supplied to the market should align with our 2030 target, including whether to sell some of these NZUs by auction
 - » when and how the NZ ETS should re-open to international units
- » **Environmental integrity**
 - » for any international units that may be accepted into the NZ ETS in future
- » **Forestry matters**
 - » What is the best accounting approach to use within the NZ ETS for post-1989 forestry
- » **Provision of information to the carbon market**

International carbon markets

- » NZ led declaration on carbon markets at Paris
 - » signals countries' support for carbon markets as a tool in the ambitious global response to climate change
- » We are developing an international markets work programme
- » Paris Agreement provides two options for trading emission reductions
 - » Centralised mechanism – this could be a UNFCCC mechanism
 - » Bilateral/regional trading

Outcomes

» **We want an ETS that...**

- » reflects our Paris target
- » provides an appropriate price signal to business for both short- and long-term decisions
- » operates on a stable policy framework
- » is well integrated with international markets of high environmental integrity

Thank you

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Ministry for the

Environment

Manatū Mō Te Taiao

Environmental stewardship
for a prosperous New Zealand
Tiakina te taiao kia tōnui a Aotearoa