
Subject: NZ ETS review: update on stage two

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Tēnā koe

Thank you for your interest in the New Zealand Emissions Trading Scheme (NZ ETS) review. This email provides an update on the progress of the review and informs you that the summary of submissions for stage two of the review has been released.

Consultation on stage two of the review ended on 30 April 2016. We asked stakeholders for views on a broad range of issues, but no policy proposals were put forward. Policy decisions following stage two are expected in mid-2017, and will require further engagement with stakeholders. If legislative changes are required to implement these decisions, we expect these changes to be made in 2018.

Submissions on stage two of the review

Key themes from submissions on stage two were:

- the need for regulatory or policy stability – this was the strongest theme and it was expressed across all sectors
- the need for a long-term plan for how the NZ ETS will help New Zealand meet its emission reduction targets
- forestry submitters said that a stable NZU price that incentivises forestry investment is needed, and emphasised that stability in NZ ETS settings is important for their sector.

The submissions on stage two, and summaries of consultation responses, are available on the [Ministry for the Environment's website](#). Links to the documents can be found below:

- [summary of responses to stage two of the review](#)
- [summary of responses to forestry technical note](#)
- [summary of responses to operational matters technical note](#)

Key issues under consideration as part of stage two:

We are now focussed on a number of key issues that were raised during stage two. These include:

Forestry

Forestry is one of New Zealand's key abatement opportunities and it is important that the NZ ETS sends the right signals to support investment in forestry. Key issues we are now progressing under the review include:

- potential changes to accounting approaches for post-1989 forestry in the NZ ETS
- technical and operational improvements to how forestry is administered in the NZ ETS
- any opportunities to better align the NZ ETS with other forestry programmes.

The recently announced [Forestry Reference Group](#) will test analysis on these issues and help identify ways to improve forestry in the NZ ETS.

Supply of units in the 2020s

A central issue for stage two of the review is consideration of what unit supply settings the NZ ETS should have in the 2020s so that it can help New Zealand to achieve its target of reducing emissions to 30 per cent of 2005 levels by 2030. This includes developing proposals on the following:

- how NZUs supplied to the market should align with our 2030 target, and whether to sell some of these NZUs by auction
- whether price stability mechanisms such as a price ceiling or floor are necessary
- when and how the NZ ETS should re-open to international units, and environmental integrity criteria for any international units that may be accepted into the NZ ETS in future
- what conditions would warrant reducing rates of free allocation in future and when these circumstances are likely to arise, taking into account that the Government supports keeping current free allocation rates in place until at least 2020.

Improvements to the provision of information about the NZ ETS

A number of submitters identified issues with the limited information that is currently available about the NZ ETS and the overall accessibility and coordination of information between the three coordinating agencies. As such, we are looking at how we can improve the provision of information about the NZ ETS and strengthen coordination between agencies about how that information is presented.

Operational and technical issues

A number of operational and technical improvements are being considered as part of the review, these include looking at the NZ ETS compliance framework and assessing some sector specific issues.

Process and next steps

Stage two of the review is different from the first stage, as no policy proposals have been put forward. We plan to informally engage with stakeholders as we develop policy options, including on forestry issues and what the supply of units into the NZ ETS in the 2020s might look like. We will contact stakeholders over the coming months to organise this further engagement.

Policy decisions following stage two of the review are expected in mid-2017. If legislative changes are required to implement these decisions, we expect these changes to be made in 2018.

[For more information and updates on the NZ ETS review please see the Ministry for the Environment’s website.](#)

Kia ora

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Attachments