

House of Representatives
Supplementary Order Paper

Thursday, 25 October 2012

Climate Change Response (Emissions Trading and
Other Matters) Amendment Bill

Proposed amendments

Moana Mackey, in Committee, to move the following amendments:

New clause 27A:

After *clause 27* (after line 6 on page 22), insert:

27A Section 63 amended (Liability to surrender units to cover emissions)

In section 63, after subsection (2), insert:

- “(3) Despite anything in this Act, where a participant is liable to surrender units under this Act, a minimum of 50% of those units transferred under section 18C must be New Zealand units.”

New clause 51A:

After *clause 51* (after line 7 on page 30), insert:

51A Section 134 amended (Penalty for failing to surrender or repay units)

In section 134, replace subsection (1) with:

- “(1) This section applies if—
- “(a) a person fails to surrender units by the due date when required to do so under section **65(4)**, 118(5), 189, **191**, or 193; or
 - “(b) a person fails to surrender sufficient units to meet their obligation under section 63(3) by the due date when required to do so under section **65(4)**, 118(5), 189, **191**, or 193; or
 - “(c) an amendment to an emissions return under section 120 or an assessment made under section 121 results in a liability for a person—

- “(i) to surrender units or additional units under section **123(3)**; or
 - “(ii) to repay units in accordance with section **123(6)**;
or
 - “(d) a person is required under section 125 to repay units transferred in error.”
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Explanatory note

This Supplementary Order Paper amends the Climate Change Response (Emissions Trading and Other Matters) Amendment Bill. New Zealand was the first country to introduce an all sectors, all gasses emissions trading scheme. This was done in the expectation a large international market would emerge in which emissions could be freely traded with no countries individual emissions trading scheme might affect the price of carbon.

However the nature of the emissions trading schemes that have emerged in other countries is different than was expected and New Zealand is the only country which does not place quantitative restrictions on international units.

The European emissions trading scheme does not allow RMU carbon credits at all which are permitted in New Zealand and places restrictions on other units (The European emissions trading scheme comprises 80-85% of the international carbon market). The Australian scheme to come into effect in 2015 will restrict offset carbon credits which New Zealand allows freely to 12.5% and will restrict all international credits to 50%. Many other schemes do not allow international units at all.

The effect of these countries doing this is that international units not able to be sold in those countries have nowhere to go but New Zealand. This means millions of surplus credits are flooding the New Zealand emissions trading scheme lowering its price. The present price of carbon in New Zealand is around a third of what it is in Europe due to our different regulatory settings. Carbon trading system OMF recently estimated the excess units not allowed in other countries were sufficient to pay all of New Zealand’s emission liabilities for the next 28 years.

The effect of this price lowering is significant in two respects: participants have a much lower incentive to reduce emissions and foresters are getting a much lower price for their carbon than they should meaning no new planting is currently planned and deforestation is taking place at a faster rate.

This amendment will place an obligation on participants surrendering credits for a minimum of 50% of those units to be New Zealand Units. At present prices this would represent a very small cost for participants and will stabilise the New Zealand carbon price which has fallen significantly more than comparative schemes. Participants would still be able to surrender international units

however they would only be able to comprise a maximum of 50% of those submitted.
