



Ministry for the
Environment
Manatū Mō Te Taiao

New Zealand Emissions Trading Scheme



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New Zealand Ministry for the Environment
February 2018*



*Making Aotearoa New Zealand
the most liveable place in the world*
Aotearoa - he whenua mana kura mō te tangata



- Established **2008**
- **Coverage:** intended to cover all gases and all sectors over time
 - about half of gross emissions now covered, the remainder being agricultural methane and nitrous oxide
- **Forestry:** treated as both a source of units and as an emitter
- **Point of obligation:** generally upstream, to minimise complexity
- **Cap:** no domestic cap as originally nested within cap provided by Kyoto Protocol
- **Eligible units:** currently only New Zealand Units (NZUs) and NZ-originated AAUs (Kyoto units previously eligible, until mid-2015)
- **Free allocation:** restricted to activities that are both emissions intensive and trade exposed





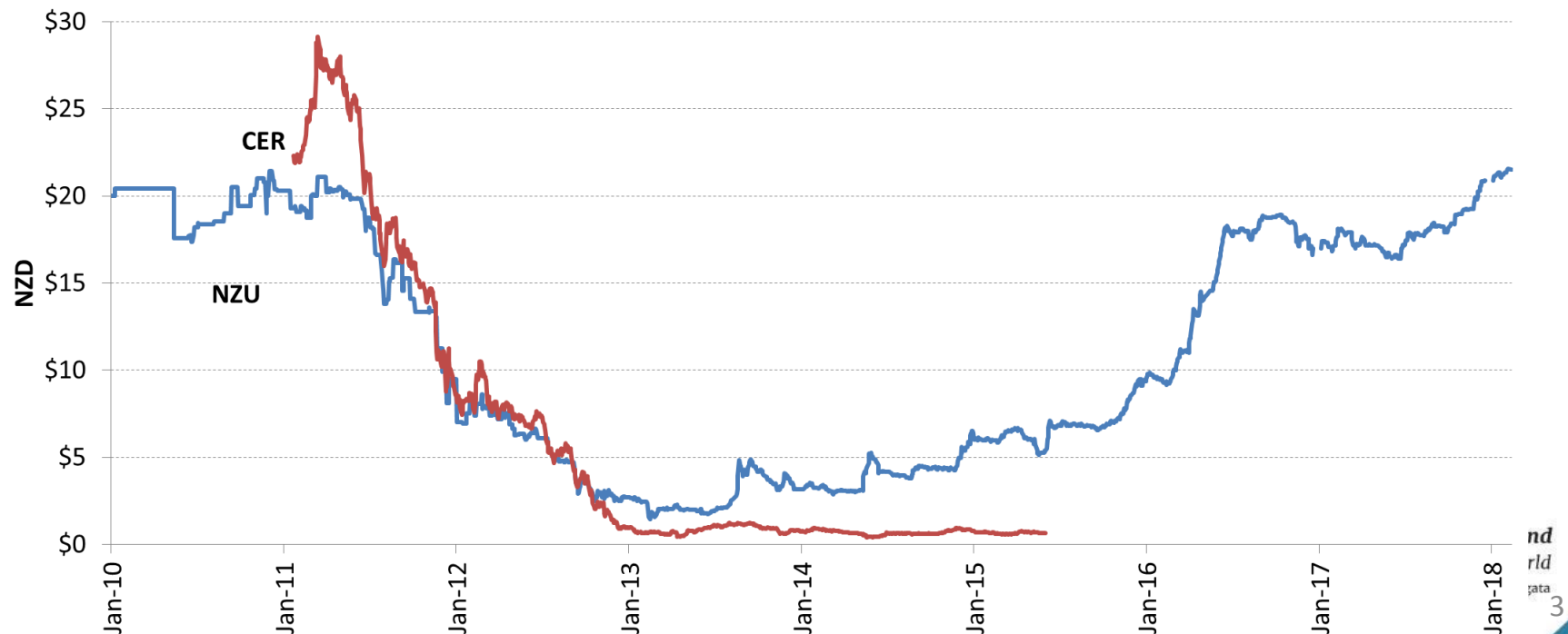
NZ ETS Review and Stage 1 outcome

NZ ETS Review 2015/16

- Two-stage process to assess NZ ETS operation and effectiveness in light of the Paris Agreement

Stage 1 outcome – removal of the one-for-two transition measure

- Gradual phase out of measure allowing non-forestry sectors to surrender one unit for every two tonnes of emissions – all sectors to have full (one-for-one) obligations in 2019.





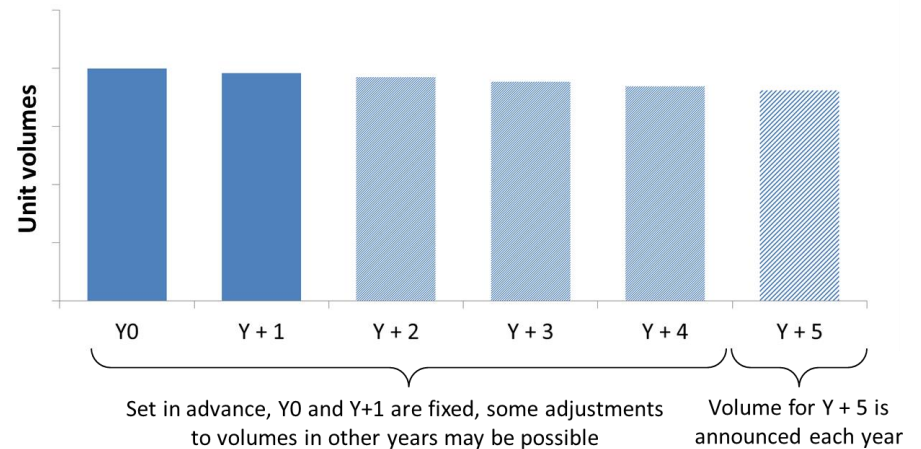
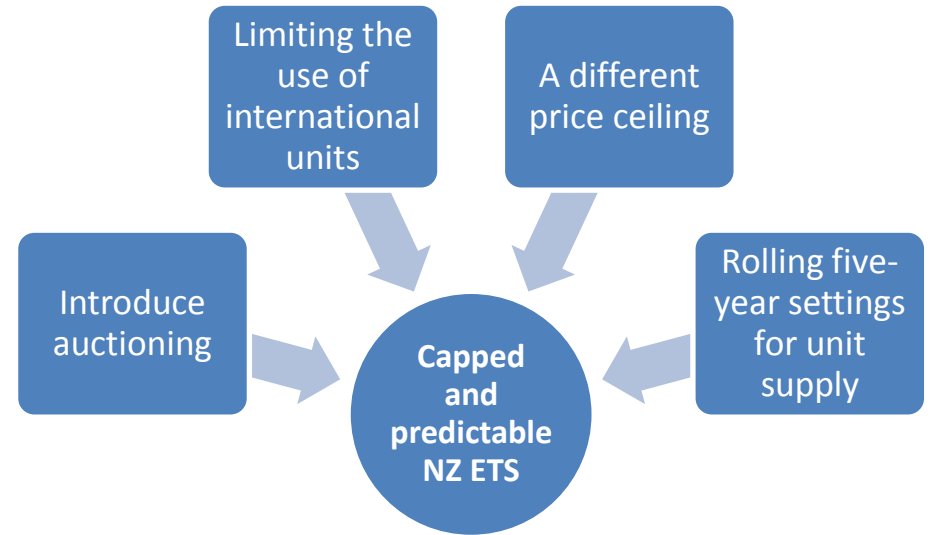
NZ ETS review stage 2 – framework improvements

In-principle decisions made to:

- introduce **auctioning**, to align the NZ ETS to our emission reduction targets
- **limit use of international units** when NZ ETS reopens to international markets
- develop a **different price ceiling** to replace the \$25 fixed price option
- coordinate decisions on unit supply settings over a **rolling five-year period**.

This package is intended to:

- provide the NZ ETS with its own cap
- balance predictability with flexibility , taking into account the Paris Agreement





New Government – New Climate Change Priorities

1. Pass a **Zero Carbon Act** in 2019

- to set the framework for action on climate change including:
 - a new 2050 target
 - an independent Climate Change Commission

2. Make progress on **agricultural emissions** and **renewable electricity** over 2018-19

- an interim Climate Change Committee will prepare evidence and analysis, to hand over to the Commission once established, on :
 - the role of the agriculture sector in climate change policy
 - transitioning to 100% renewable electricity





Next steps for NZ ETS improvements

