

THE NEW ZEALAND ETS : PROGRESS TO DATE



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16 December 2011

Legislative Milestones



- New Zealand had multiple attempts at implementing a price on carbon
- Spurred by the onset of the Kyoto Protocol, the Labour-led government very controversially passed legislation to create the NZ ETS in 2008
- Upon a change in government, the legislation was softened in key ways
- Many features of the initial design remained :
 - All-sectors all gases
 - Gradual entry of sectors into the ETS
 - Open access to international carbon markets

Where is ETS up to?

- NZ ETS has now been operating for nearly 4 years in forestry, and for nearly 18 months in the energy sectors (including industrial process emissions)
- It has been subject to a formal, independent review
- Transitional provisions of a \$25 price cap and a 2 for 1 deal remain until the end of 2012
- Remaining sectors to enter are synthetic gases and waste (2013) and agriculture (2015).



How has the ETS Performed?

- Implementation has proceeded as well as could be expected
- Price has been driven by the sorts of factors that one would expect
- Trading volumes domestically are relatively low, perhaps reflecting low international carbon prices
- Reductions in emissions – while difficult to assess – have been significant in forestry but relatively little elsewhere
- Now not seen as a “big scary monster”, but rather an accepted part of the NZ political and economic landscape



Where to from here for the ETS



- Formal review of the ETS did not recommend major design changes, although there were several areas where change was suggested
- Domestic policy will evolve but is unlikely to radically change in the next few years
- Key influences will be the international environment through UN processes, progress in Australia, and the state of international carbon markets
- Major outstanding issue for New Zealand is whether to bring agriculture into the ETS, and if so how and with what assistance etc.
- Forestry rules and also rules around links to carbon markets may change

Questions?



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