

**Submission on the proposed
regulations restricting the use of
certain international units in the
New Zealand Emissions Trading Scheme**

Submission to Ministry for the Environment

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Te Kaitiaki Taiao a Te Whare Pāremata

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The Emissions Trading Scheme is the main policy mechanism the Government has to combat climate change. Over a number of years the effectiveness of the legislation has been repeatedly weakened, most recently by the Climate Change Response (Emissions Trading and Other Matters) Amendment Act which passed into law in November 2012.

These proposed changes to the regulations do nothing to redress this situation.

Climate change is the biggest environmental challenge we face. Over my term as Commissioner I have continued to make submissions on the ETS as it has evolved, as well as acting as an independent adviser to the ETS Review Select Committee in 2009.

Despite the weaknesses in the current scheme, I continue to strongly believe that an ETS is the right mechanism to price carbon. It possesses the flexibility and potential to drive efficient reductions in greenhouse gas emissions. But it is impossible for a carbon market to operate without an effective price signal – one that rewards activities which help to address climate change.

The recent changes contained in the Amendment Act however, undermine the effectiveness of the price signal, and, in particular, lower the attractiveness of investing in forest plantations. The impact of allowing easy access to international carbon credits is destroying carbon forestry in this country.

Without carbon forestry New Zealand has no chance of meeting its emissions reduction target of 10-20% below 1990 levels adopted at Copenhagen in 2009. It is only due to a boom in forestry in the early 1990s that New Zealand is able to meet its obligations in the first Kyoto commitment period which ends this year.

Fewer forests mean less carbon dioxide will be taken up – an environmental loss in the climate change battle. And fewer forests will also mean fewer forestry jobs – at a time when green growth needs to be supported.

The international market for carbon is awash with cheap credits. These proposed changes to the ETS regulations would restrict the ability of domestic polluters to buy some of the more suspect international carbon credits. But this is of limited value only as there are many other dubious credits available which these proposed changes would not restrict.

New Zealand needs to support a mechanism by which the carbon price is allowed to drive the market and encourage investment. These proposed changes do nothing to strengthen the price signal and adequately incentivise carbon forestry.

Unlike the Australian ETS, which comes into force in 2018, the New Zealand ETS has no requirement for any domestic carbon credits. The Australian ETS will have a 50% domestic carbon credit requirement. I have recommended that the New Zealand ETS should have the same.

Currently, New Zealand's ETS cannot deliver what it was set up to do. These proposed amendments to the ETS regulations change nothing.