

Adrift: What future does the Emissions Trading Scheme have?

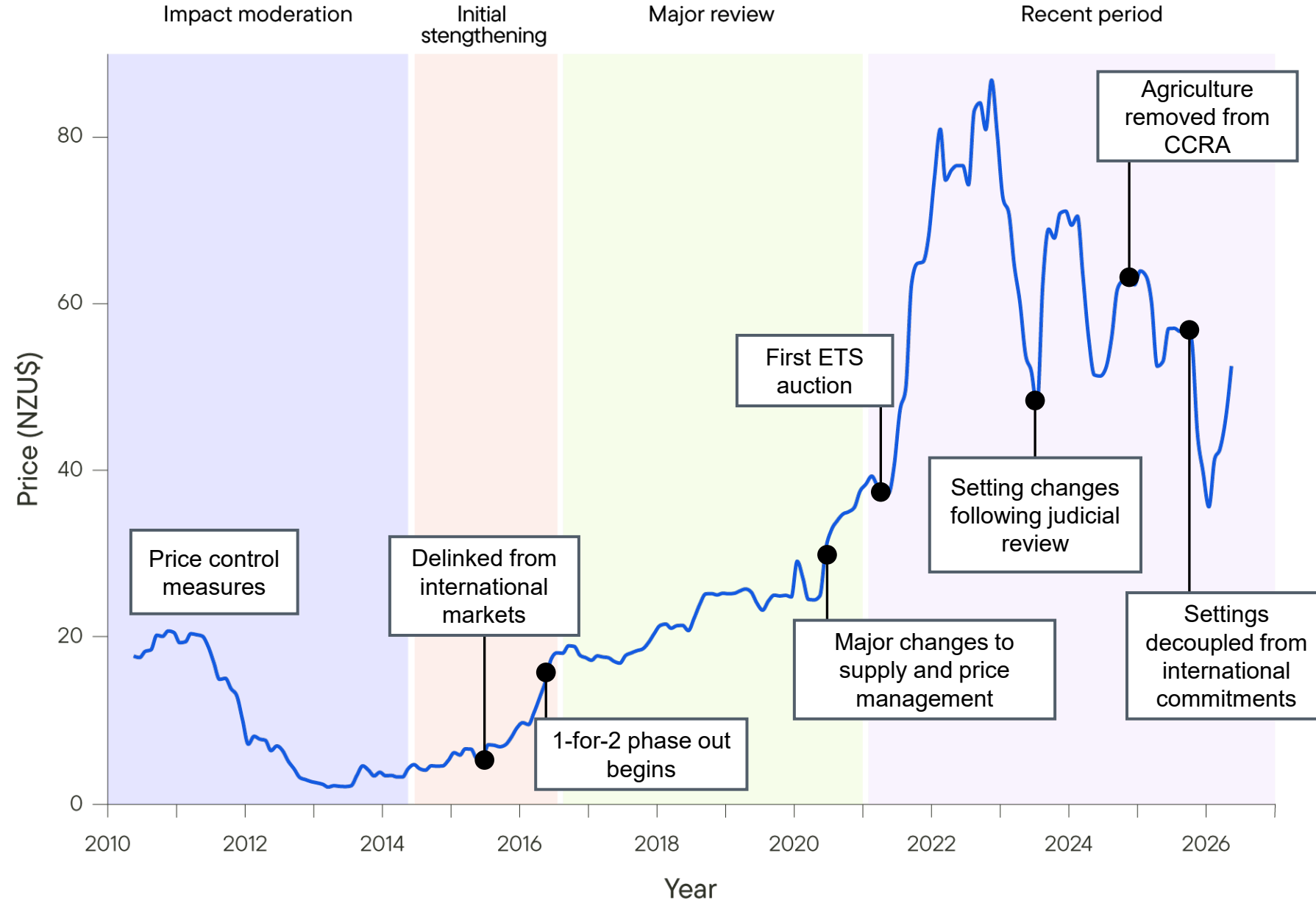
August 2026



Parliamentary Commissioner for the Environment

Te Kaitiaki Taiao a Te Whare Pāremata

History of the ETS



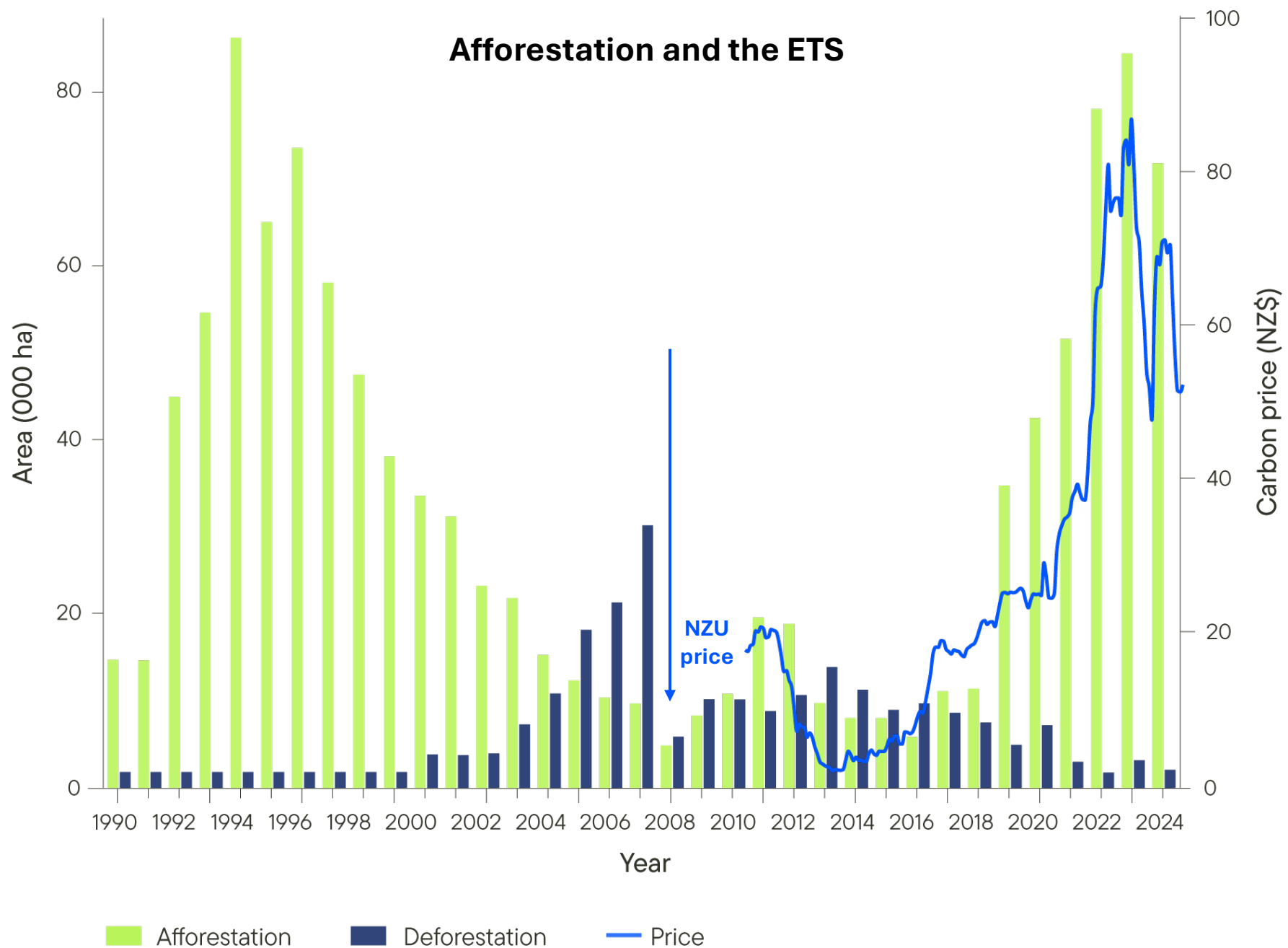
Forestry in the ETS



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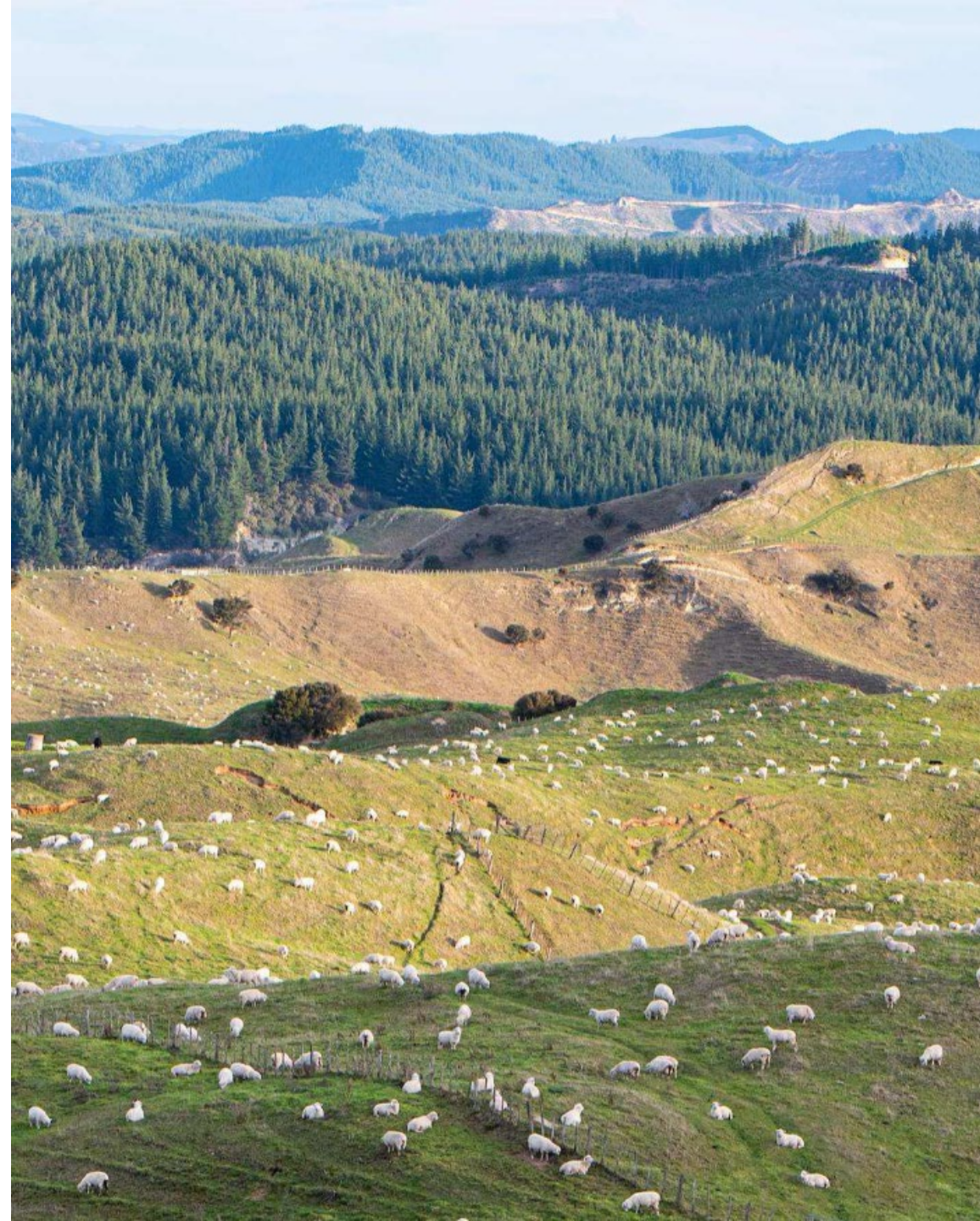


Afforestation and the ETS



Climate forestry risks

- Permanence
- Loss of option value
- Fiscal
- ETS market management



Current supply and demand issues



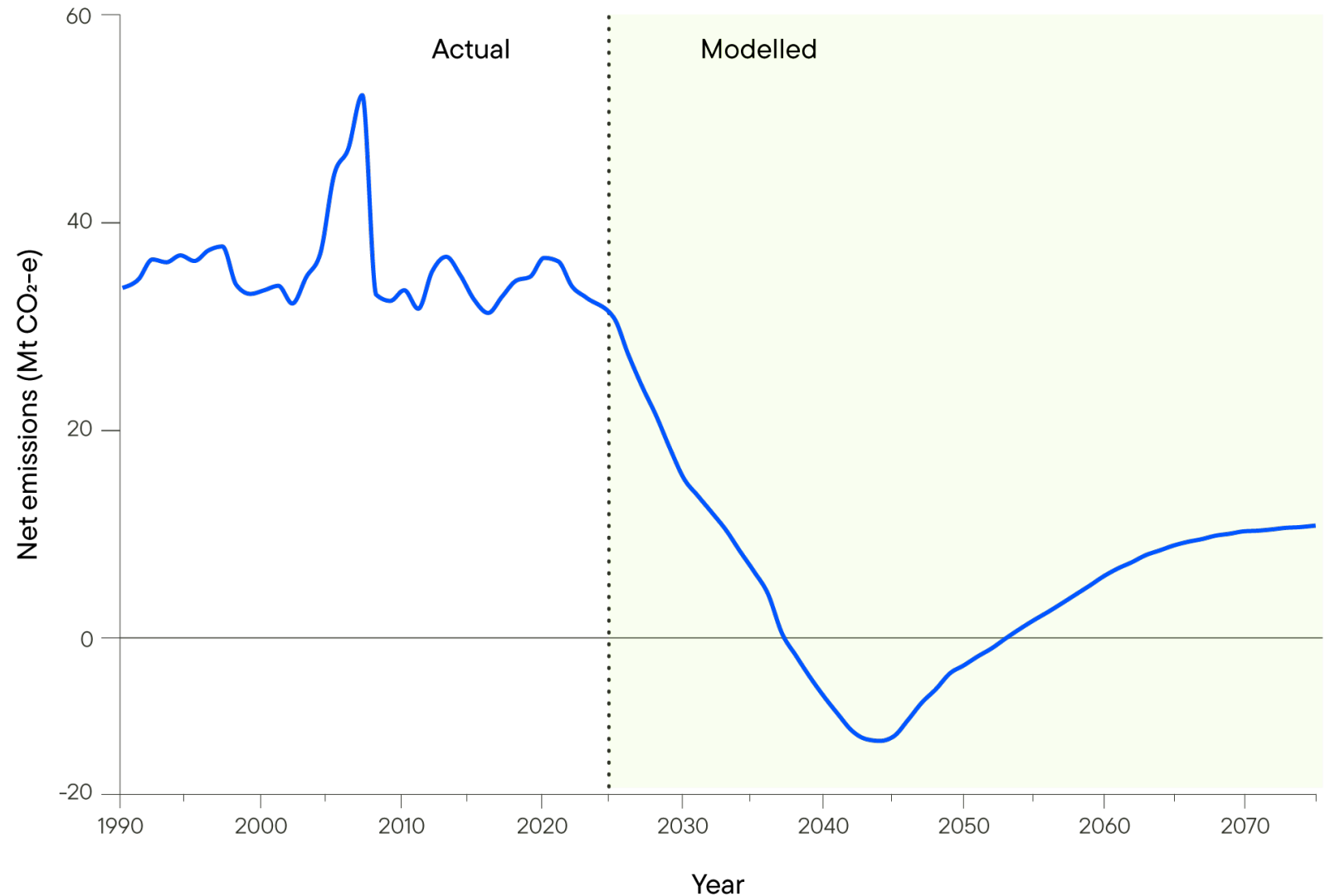
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Lesson 1

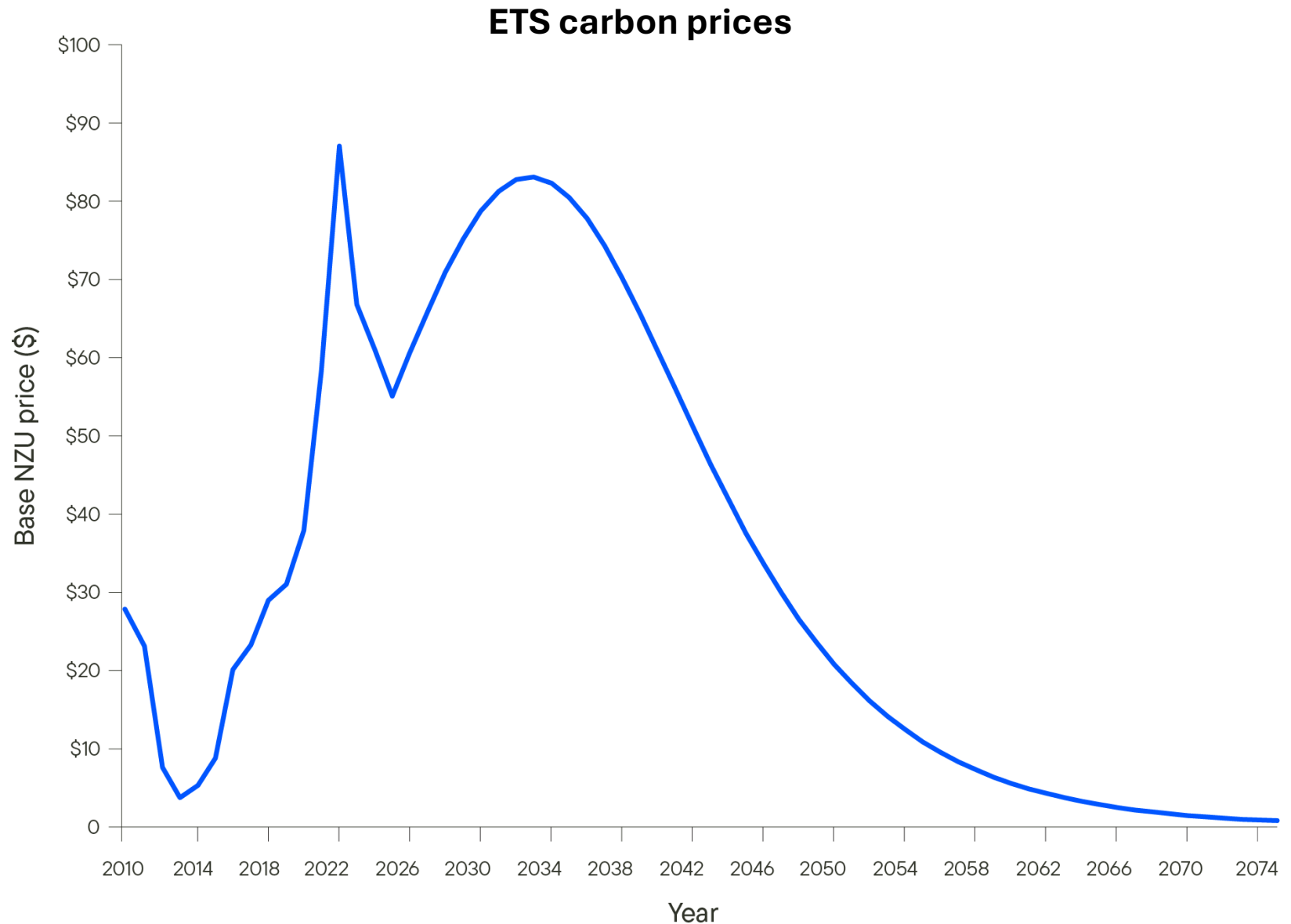
Not achieve climate objectives

Current design – Base case



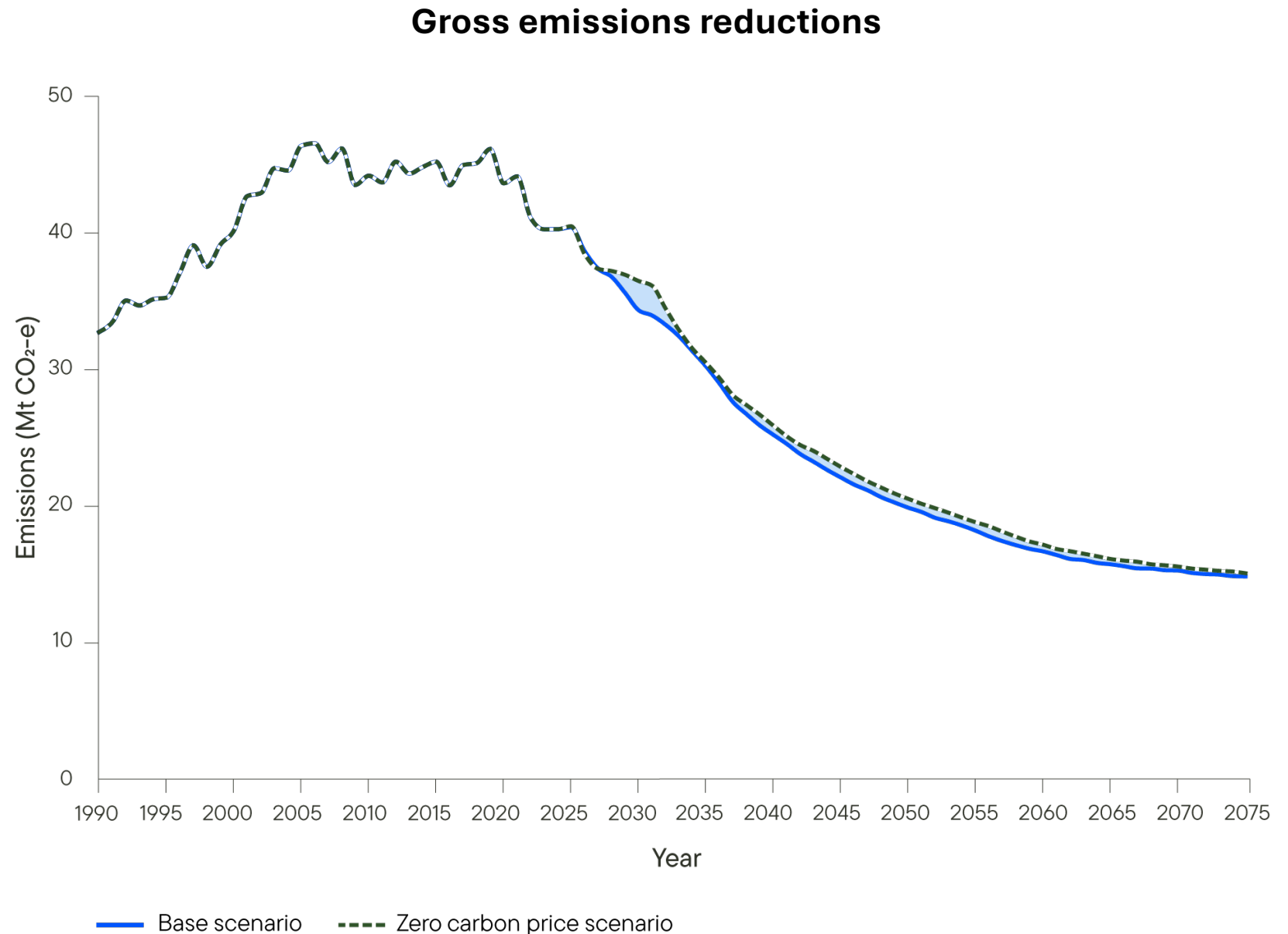
Lesson 2

Struggles to balance supply and demand



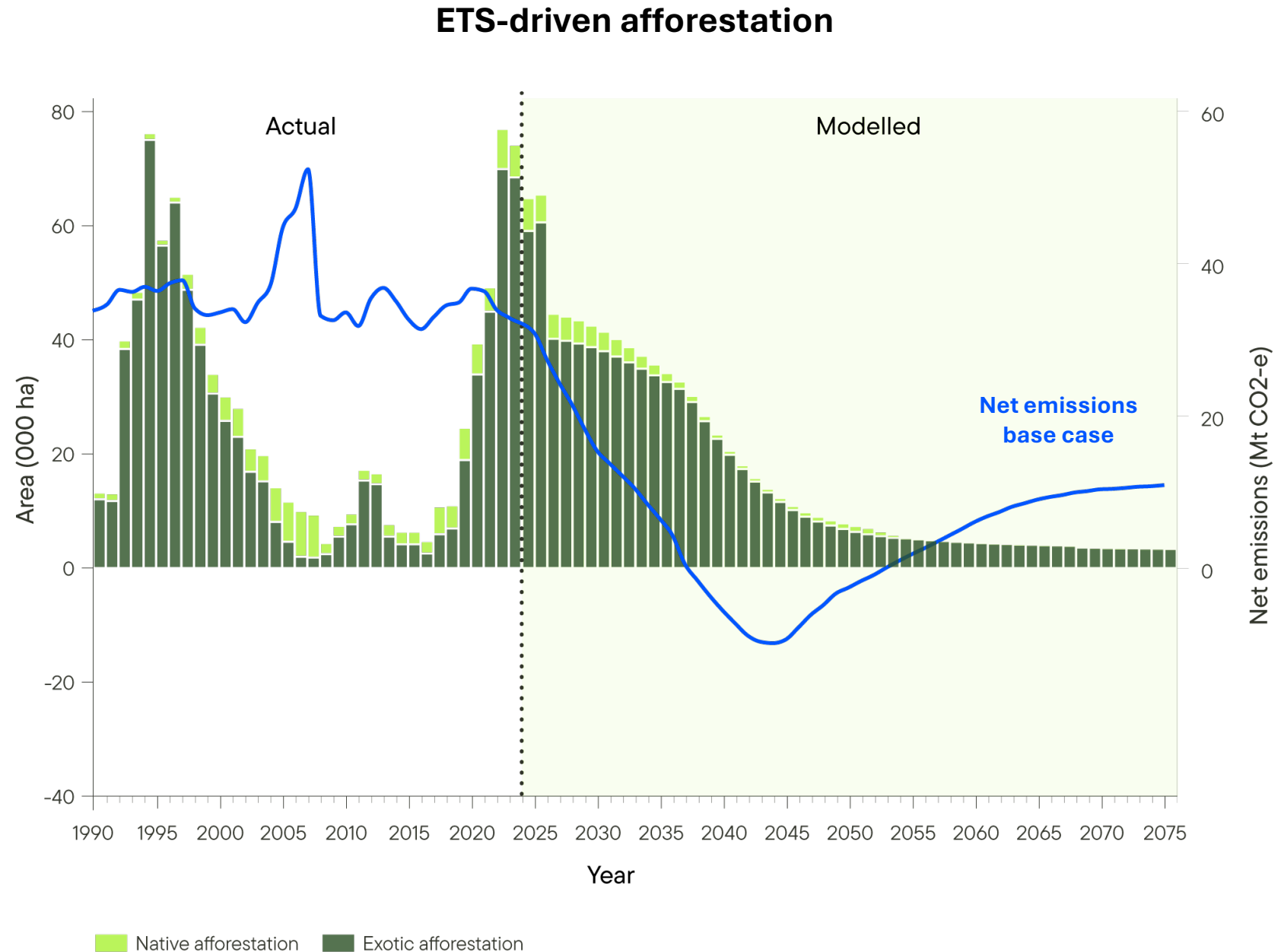
Lesson 3

Negligible effect on gross emissions



Lesson 4

More
afforestation
needed,
even more
needed to
hit target



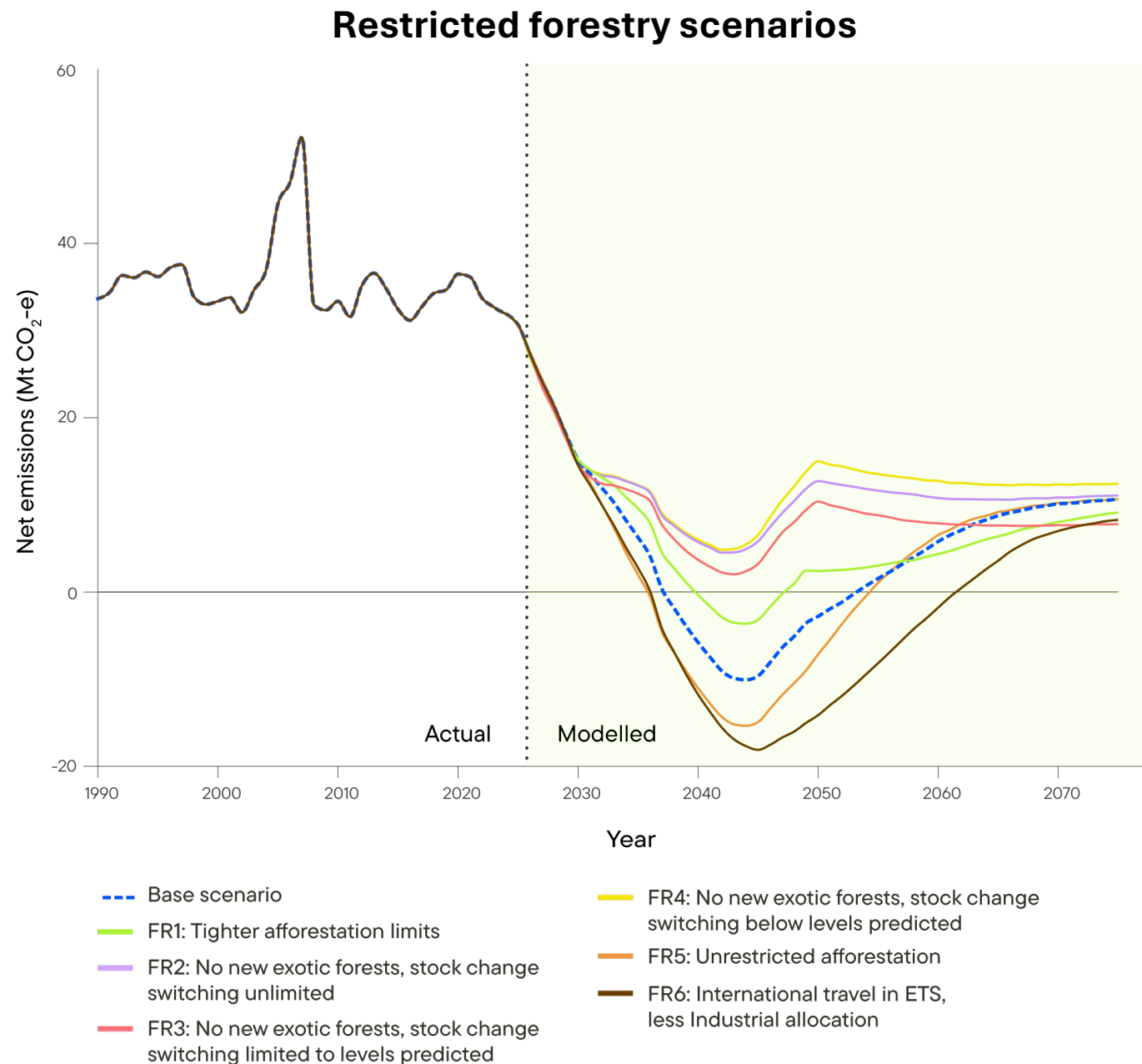
Lesson 5

A steadily rising carbon price is required to reduce gross emissions



Lesson 6

Fundamental change in the ETS-Forestry relationship is needed



Recommendations



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Major review

- 1 Secure cross-party agreement that the ETS is in need of major reform.
- 2 Direct officials to begin policy analysis, modelling and options analysis for reform now.
- 3 Seek a new cross-party agreement on the broad strokes of what a climate strategy should look like, if not its detail.



Buy breathing space

- 4 Place a temporary moratorium on new ETS forestry registrations
- 5 Change the ETS forestry rules for stock change forests
- 6 Change the ETS rules for permanent forests
- 7 Rule out any new types of biological offsetting in the ETS



Reimagine forestry's role

- 8 Develop options for the alternative roles forestry might play outside the ETS in New Zealand's climate mitigation efforts



Thank you



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