16	Pg 31, para 4 "…as well as the practical challenge of reducing …"	Suggested wording change "… challenge of reducing New Zealand's emissions without undue negative impacts on the broader environment".	The following sentence added, "….while minimising undue negative impacts on people, the environment and the economy"
24	Pg 52 -53 Analysis of coverage	This section should describe the risks of not including all sectors, for example competition between agriculture and forestry for land. The related risk of perverse environmental outcomes as a result of this competition for land (including increased GHG emissions, risks to water quality etc) should be described.	Included the following text on p62 "Substitution responses may also include changes in land use, and incomplete coverage of sectors may lead to inefficient allocation of land uses".
34	Pg 91, 1st bullet point	Suggest add sentence "An example of a measure to remove an information barrier is the introduction of smart electricity meters (which provide real-time information on price and consumption of electricity in the home.)"	Included, as well as another example (energy efficiency labeling)
37	Pg 91	This list should include these other reasons for market failure: - Externalities. Decisions may be made based on reasons external to the ETS. For example, the decision to build a plant that converts lignite to liquid fuel, with significant CO_2 emission implications, may be strongly influenced by National Strategic Issues such as a desire for independence of fuel supply. - Incomplete ETS. As discussed below, where the ETS is incomplete, that is not all sectors are included, or there is free allocation, the	These are not necessarily externalities. The first point is noted but not included. Conflicting Government policies is not necessarily a reason to develop complementary measures. Sentence on incomplete ETS design included on p108.

		strength of the price signal is weakened.	
41	Pg 99 Analysis	This section fails to respond to the relevant Terms of Reference, which is to "consider the case for increasing resources devoted to New Zealand specific climate change research". An integrated and strategic overview including a plan for all government funded climate change research should be described here. Analysis of whether the government investment in climate change research is being optimally spent should be presented, as well as any holes identified where research is needed to aid effective decision making on the ETS. In addition, any structural barriers which impede progress of climate change research in New Zealand, or the clear transmission of its findings to decision makers, should be identified. If this analysis is not available now, high priority should be given to this assessment.	The following text added to the report: "The current portfolio of climate change research outlined in this chapter is in part the result of an analysis of climate change research needs that took place two years ago. There are a number of documents that guide research investment in the climate change area, including the NZ Energy Strategy and the Sustainable Land Management and Climate Change Plan of Action. It is unclear whether an additional strategy is required at this stage. Ultimately these issues need to be addressed through the relevant government processes and in more depth than the Review timeframe permits."
45	Pg 106, para 7	Motu's contribution is greater than just the model development. Alter sentence to read "They seek to inform climate change policy incorporating understanding from both natural science and economic analysis".	changed
48	Pg 112 Agriculture analysis	This section should mention somewhere the issue of whether the current GWP of methane is the most appropriate measure of CO_2 equivalence. If this changes, it could significantly increase or decrease the incentives to reduce methane emissions.	See text included in the agriculture chapter p130-131

55	Pg 123, bullet points	Add another bullet point: "Mitigating the potentially negative impacts of the Kyoto forestry rules on the broader New Zealand environment. For example, removing incentives to allow wilding pines to become establish on indigenous grasslands."	Not changed. Management of wilding pines is not the ETS's role and also the ETS doesn't have the role of encouraging forests (or any other abatement option per se). The extent that such matters are attempted to be covered by the ETS and the Act, is the s88(1)(c) requirement that an application to register as a participant in respect of post-89 forest land must be accompanied by a declaration that any action action taken by the applicant after 1 January 2008 in relation to the post-1989 forest land in respect of which the application is submitted (including, but not limited to, removal of any existing vegetation prior to planting of the forest species on the land) complied with the provisions of the RMA, including any plan under that Act, and the Forests Act 1949, as in force at the time that the action was taken.
74	Pg 142, para 3 "A number of …"	A discussion could be added regarding the fact that forecasts of regulation costs are often overestimated. As a supporting example, the sulphur dioxide market in the US could be referred to. Also, a paper has analysed 25 cost estimates of environmental regulations (including the sulphur dioxide market), and found that 12 cases over estimated where as 6 underestimated costs. Much of the overestimation was attributed to	This study is referenced earlier in the report, we consider that this is adequate.

		unanticipated technical innovations. The reference is Harrington, W, Morgenstern, D, & Nelson P. 1999. “On the Accuracy of Regulatory Cost Estimates.” *Discussion Paper 99-18*. Resources for the Future. We suggest that these findings are discussed here.	