DEVELOPMENTS IN NEW ZEALAND'S EMISSIONS TRADING SCHEME AND CLIMATE POLICY

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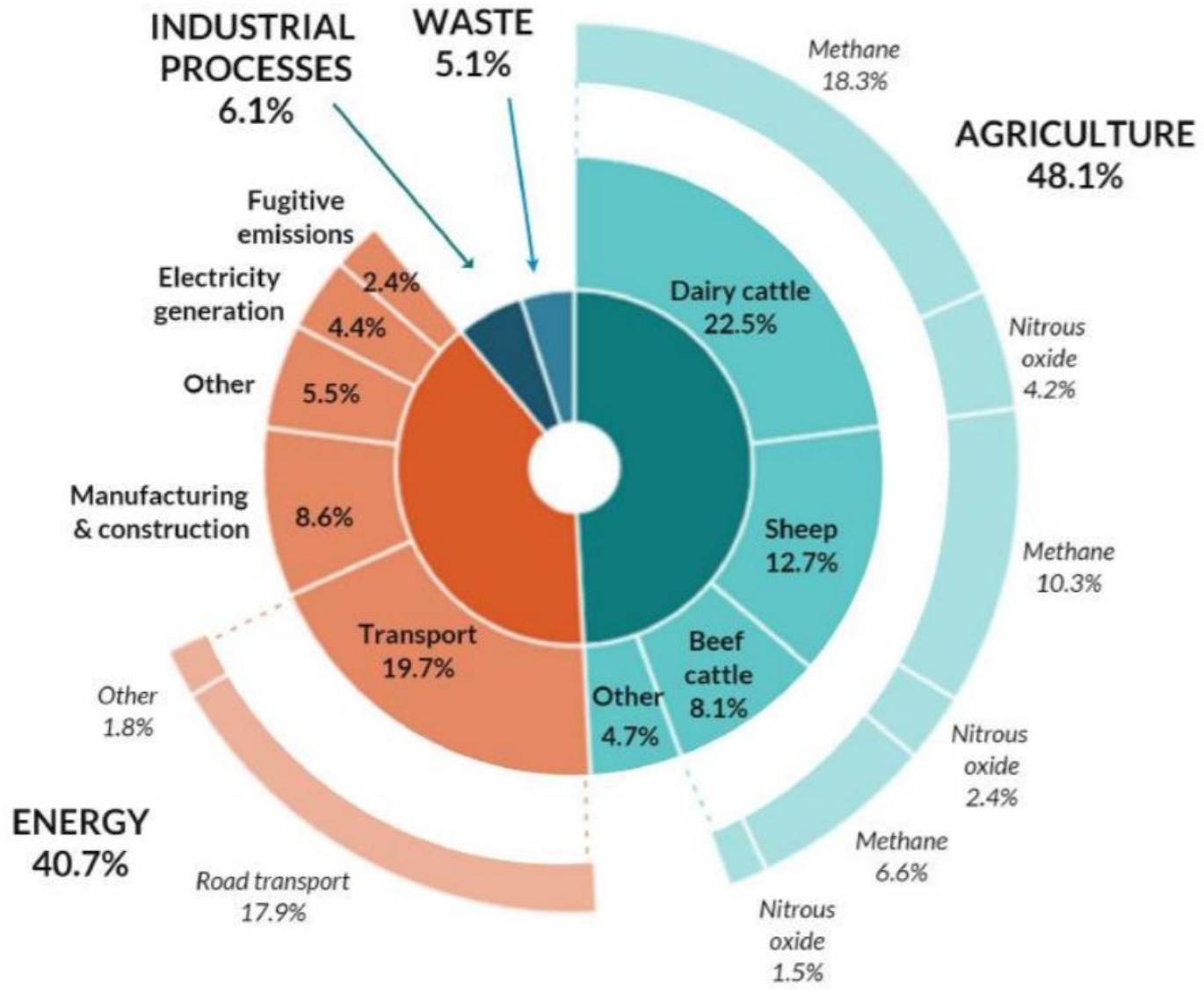
PRINCIPAL, COMPASS CLIMATE

20TH IEA-IETA-EPRI EMISSIONS TRADING WORKSHOP

22 OCTOBER 2020

PARIS (ZOOMING FROM PAEKAKARIKI)

CONTEXT: NEW ZEALAND'S GHG EMISSIONS



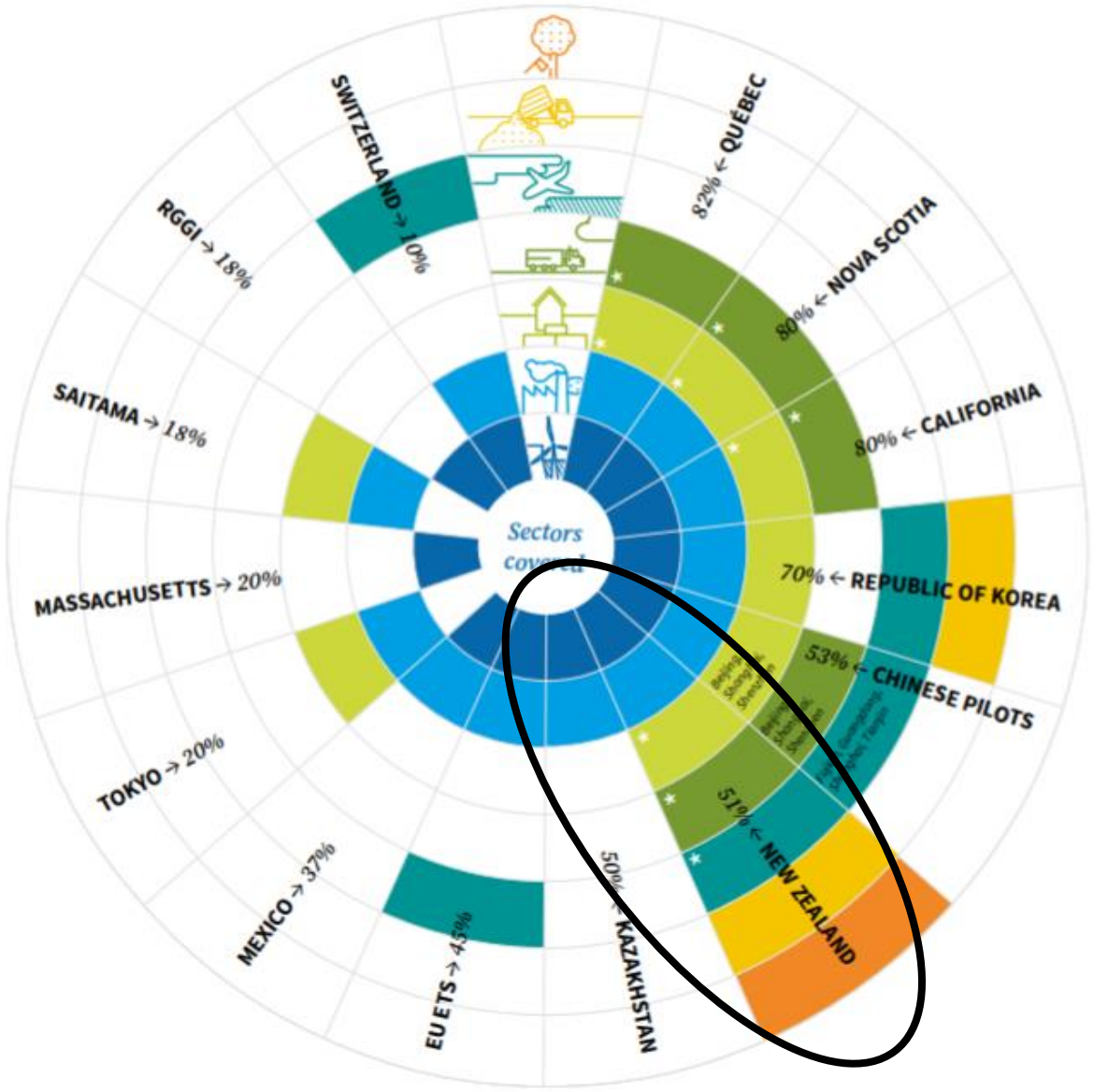
Source: www.mfe.govt.nz

CONTEXT: NEW ZEALAND ETS HISTORY

- In force since 2008, originally mirroring Kyoto Protocol framework into domestic obligations

- Broad sectoral coverage:
  - Forestry emissions and removals
  - Upstream coverage of transportation and heating fuels





Source: ICAP status report 2020

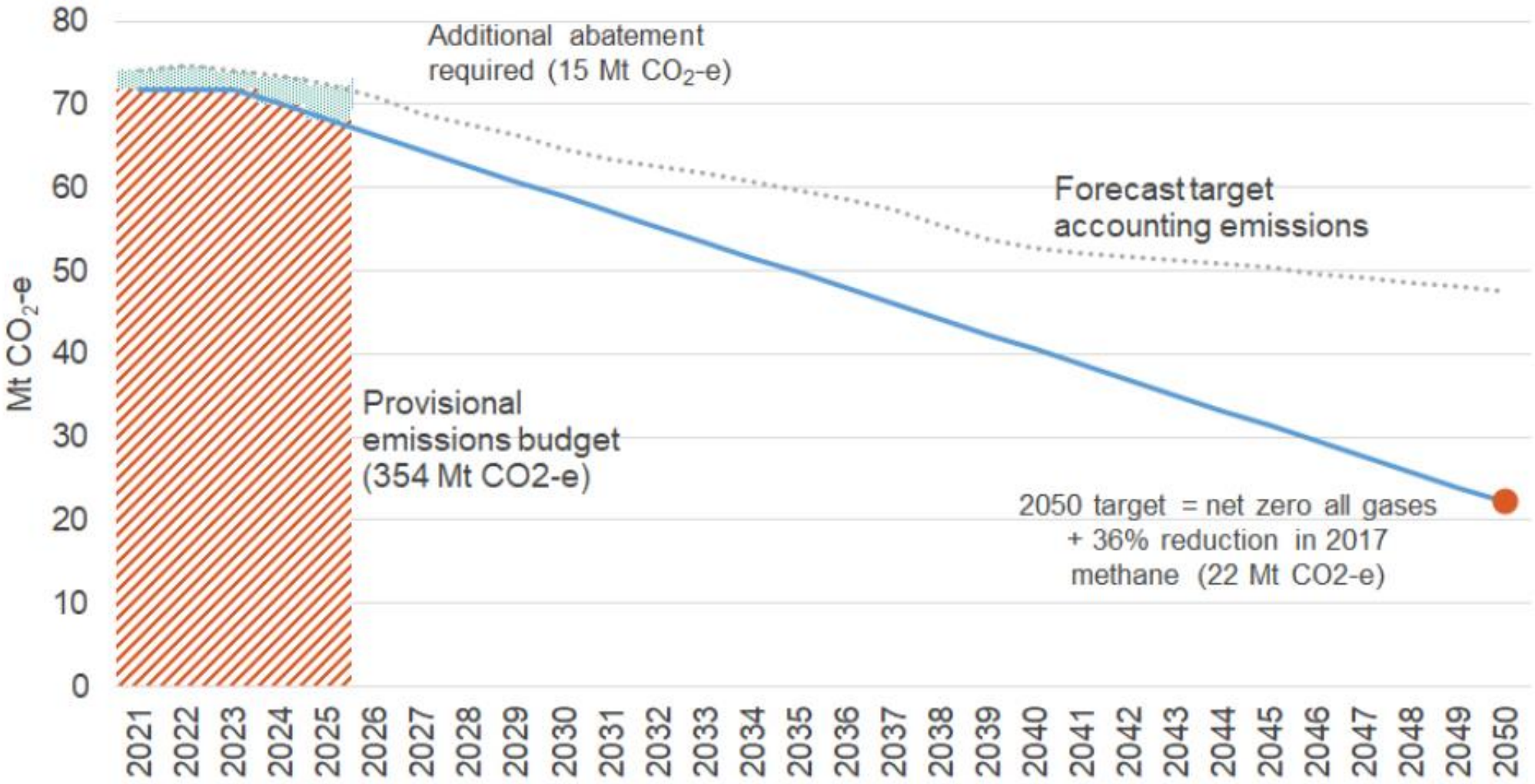
NEW DOMESTIC CLIMATE CHANGE LEGISLATION 2019

- Targets: long-lived gases net-zero 2050;
  biogenic methane -10% 2030; -27% to -43% 2050 (on 2017)
- Independent advisory Climate Change Commission
  - to advise on emissions budgets, policy direction, long-term targets, ETS settings, and monitor progress
- Successive five-year emissions budgets
  - ➢ First three budget to 2035 will be set in 2021
  - ➢ Policy plan to deliver the first budget also required in 2021

NZ ETS LEGISLATIVE AMENDMENTS 2020

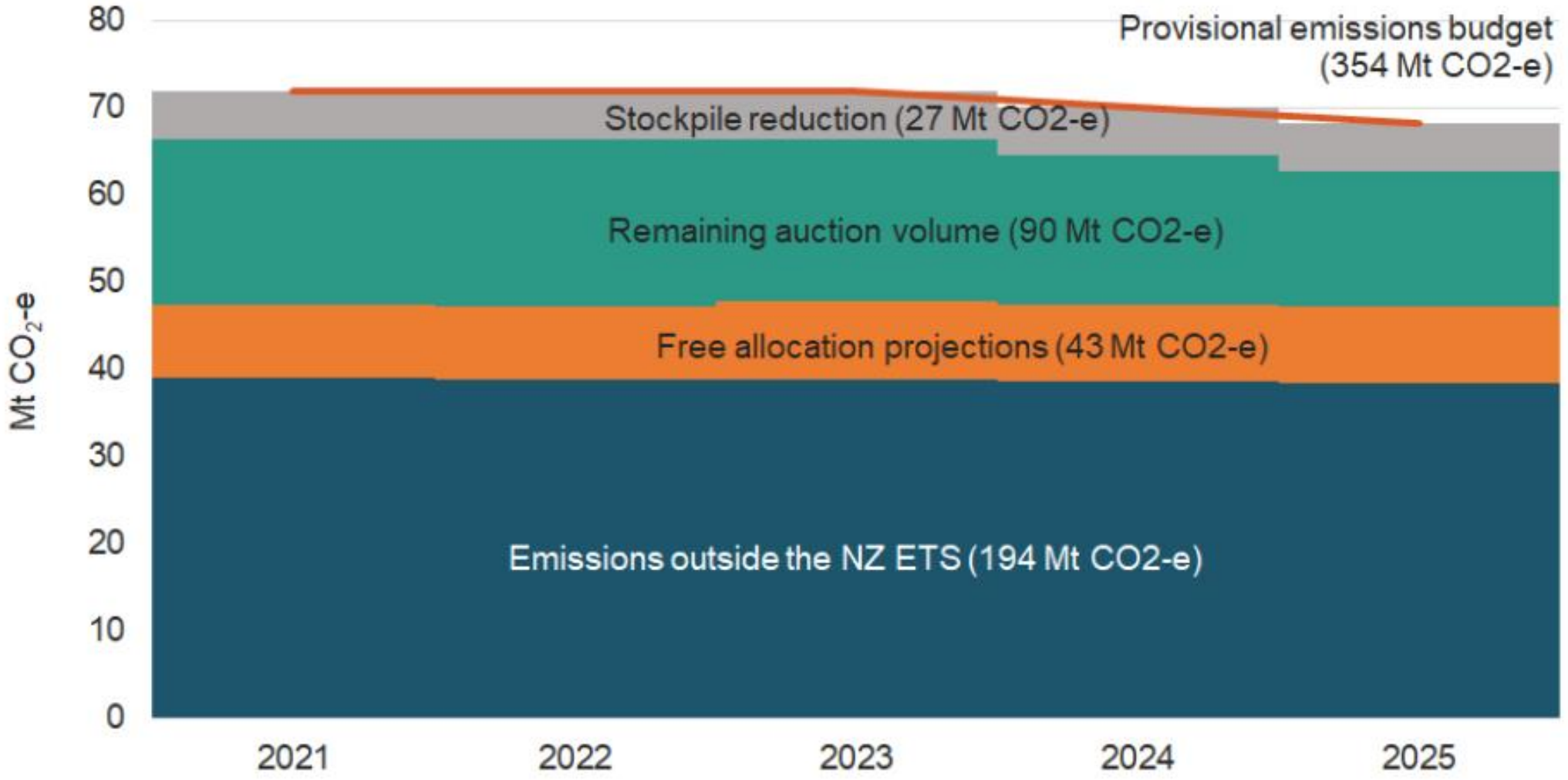
- Updated purpose: To support Paris Agreement and domestic targets
- Rolling cap-setting, five years ahead
- Introduce auctioning: 19Mt (+ up to 7Mt reserve) in 2021
- Starts phase-down of industrial free allocation
- Price controls (rising at 2% per annum) to replace fixed-price option:
  - Auction price floor NZ$20
  - Cost containment reserve (trigger NZ$50)
- Strengthened transparency, compliance, updated forestry provisions

PROVISIONAL EMISSIONS BUDGET (TO GET STARTED AHEAD OF CLIMATE COMMISSION ADVICE)



Source: www.mfe.govt.nz

PROVISIONAL BUDGET -> ETS AUCTION VOLUMES



Source: www.mfe.govt.nz

UPCOMING ISSUES

- Role of ETS in 2021 policy package: principal driver (higher prices) or backstop?
- Update ETS settings (caps, auction volumes, price controls, forestry?) following advice from Climate Change Commission and setting of emissions budgets
- Review of industrial allocation; market governance
- NDC & use of international markets (Article 6)
- *Agriculture:*
    - *Partnership with primary industry for farm planning and on-farm emissions reporting, and to develop recommendations for a farm-level pricing mechanism to come into effect by 2025.*
    - *Legislated backstop available to bring the agricultural sector into the NZ ETS at processor level from 2022.*

THANK YOU

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