
Carbon Monitor

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NZ Emissions Trading System Amendments Pass into Law

Under urgency the Climate Change Response (Moderated Emissions Trading) Amendment Act 2009 passed into law.

The major amendments to the original scheme are summarised below:

Shift the commencement of unit-surrender obligations for the liquid fossil fuels, stationary energy, and industrial processes sectors to 1 July 2010:

Provide for a transitional phase to operate from 1 July 2010 to 31 December 2012 during which—

- participants in the liquid fossil fuels, stationary energy, and industrial processes sectors are only required to surrender 1 eligible unit for every 2 tonnes of CO₂-e emitted and have an option to pay \$25 in lieu of surrendering a unit in satisfaction of unit-surrender obligations; and
 - the export of New Zealand units from the NZ ETS is prohibited, with the exception that the prohibition will not apply to the export of forestry-related New Zealand units:
 - provide a transitional phase to operate from 1 January 2008 to 31 December 2012 during which participants in the forestry sector are required to surrender 1 eligible unit for every tonne of CO₂-e emitted and have the option to pay \$25 in lieu of surrendering a unit in satisfaction of unit surrender obligations:
 - provide for free allocation of New Zealand units to emissions intensive, trade-exposed industry on an intensity basis, with eligibility thresholds and phase-out rates for free allocation set at levels to reduce trans-Tasman competitiveness risks:
 - delay the commencement of unit-surrender obligations for the agriculture sector until 1 January 2015:
 - provide for free allocation of New Zealand units to the agriculture sector on an intensity basis:
 - set the point of obligation for the agriculture sector at the processor level initially, with flexibility to move the point of obligation to the farm level in the future:
- increase free allocation of New Zealand units to the fishing sector to 90% of 2005 emissions levels for 1 July 2010 to 31 December 2012:
 - provide power to make regulations for the setting of emissions reduction targets.

The Bill also provides further administrative powers that are useful to the effective functioning of the principal Act and makes some technical drafting changes to add clarity to the principal Act.

Australian Opposition Leadership Change set to Scuttle CPRS

Malcolm Turnbull the Liberal Party Leader in Australia has been replaced with the anti climate change Tony Abbott.

In his acceptance speech for the leadership he said of climate change legislation

‘Now this Emissions Trading Scheme legislation, which is really an energy taxation scheme, does deserve the most rigorous scrutiny by this Parliament. This is a \$120b tax on the Australian public and that is just for starters. As we heard from the Independent Pricing Regulator in New South Wales just yesterday, this ETS will add 30% to the people of New South Wales’ power bills.

Now, we can’t just wave that through the Parliament. We really can’t. It would be grossly irresponsible of us to wave this through the Parliament. So what I have successfully asked my colleagues to approve, by way of an unprecedented secret ballot in the Party Room, and I have said to them that I hope we never again in my time need a secret ballot in the Party Room, but we had one today because of the contentious nature of this issue, by secret ballot my colleagues have approved this course of action.

First, we will seek to refer the legislation to committee for further scrutiny. If in the end we cannot get the support of the cross benches for that course of action, we will oppose the legislation in the Senate this week. And that is the right thing to do. As an Opposition our job is to hold the Government rigorously to account. Oppositions are not there to get legislation through. Oppositions are there to



hold the Government to account. And unless we are confident that a piece of legislation is beyond reasonable doubt in the national interest, it is our duty as the Opposition to vote it down. ‘

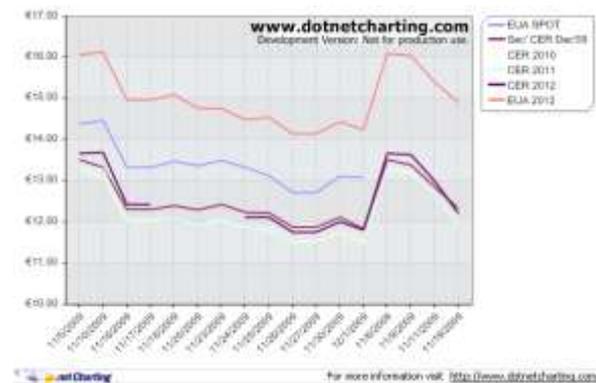
The CPRS is therefore expected to fail in the Senate and an election is anticipated in the New Year.

STOP PRESS – CPRS defeated in the Senate early election expected.

EU Price Update

Allowance prices had a reasonable month with some recent volatility. Prices in Euro terms dropped over the month.

2012 CER prices suggest NZU prices of \$25 at the current exchange rate of 0.48.



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Russian Hot Air Contaminates the Off Shore Market for AAU units

The NZETS allows forest owners to convert the NZU units they receive from forest growth to AAU or assigned amount units the international currency of the Kyoto Protocol.

AAU units are often seen as government to government transactions as they are the currency governments must surrender at the end of the commitment period (2012) and have been purchased by governments – for example the reported sale to the Norwegian government of forest based AAU units from New Zealand.

Russia and the former soviet union (FSU) have many millions of surplus AAU units arising from the collapse of industry post 1990.

There is an expectation emerging that AAU units may not be able to be ‘banked’ from the first commitment period (2008-2012) which has the Russian and former FSU countries out hawking the credits to various governments.

This has had a significant impact on the attractiveness of New Zealand forest credits in that market in recent weeks.

The FSU credits however are not seen as ‘green’ and the international environmental lobby is against meeting targets using such credits.

However unless the local legislation prohibits the use of such AAU’s (and of course the government has the ultimate obligation) these could be an easy and cheap way of meeting the obligations.

The mere presence of such credits in the market and with the perception their value will be zero on the 1st January 2013 means the market is not rushing to pay for forest credits in the meantime.

Opt In or Opt Out? Few Post 1989 NZ Forest Owners are Opting In

The updated forest owners Guide to Carbon Trading (available free by emailing forestguide@eitg.co.nz) makes a recommendation that post 1989 forest owners should opt into the NZETS.

The real question is ‘should I opt into the ETS?’ which we pose in the guide and go on to analyse the reasons. The reality is forest owners must make a choice of one of the two options and might as well do that in the manner that minimises their risk hence the recommendation to opt in.

Looking at the NZEUR the emissions unit register it appears only 40 forest owners have registered since May 2009. This is in addition to the approximately 300 already registered. This is a small percentage of the overall forest estate.

Registration closes 31 March each year for the preceding year and those not registered by that date will not receive credits until the 31st March the following year. So if you are not registered on the 31/3/2010 you will not receive any credits until 31/3/2011!

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'Carbon Monitor' is a client service of EITG.
EITG develops, facilitates and engineers Carbon Mitigation projects and strategies.

EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG Carbon Pool provides forest owners with a robust platform to access local and international markets while dealing with harvest and other liabilities.

EITG provides trading platforms and strategies based on extensive mitigation and avoidance platforms under JI and CDM, with matched offset packages for emitters.

EITG is part of an international consortium with representation in Asia/Pacific, UK, Europe, USA and South Africa

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This blog is designed to discuss all aspects of emissions trading and GHG as well as the Kyoto Protocol

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