

# Overarching principles

These principles will help guide decision-making in an uncertain environment.

**The key principles are:**

**Meeting legal obligations** – the Council will meet all its legal obligations required under the NZETS and related legislation and regulations.

**Conservative approach** – the Council will adopt a conservative approach to managing assets and liabilities arising under the NZETS. The Council does not have a major strategic exposure to carbon pricing nor does it have core competencies in this area. Exposing a large amount of the Council's balance sheet to carbon pricing is therefore not justified. For example, the Council will not become a major carbon trader or a speculator on future prices on carbon. Nor will the Council adopt aggressively short or long positions on emissions units relative to its liabilities. Assumptions about future carbon prices will also be conservative.

**'No regrets' decisions where possible** – Future carbon prices are highly uncertain, yet assumptions about them can have a major impact on the assessed costs and benefits of a particular proposal. Ideally, proposals will have a rationale and net benefit (albeit a diminished benefit) even if the price of carbon changed dramatically in the future.

**Buy units locally when prices allow** – the Council has aspirations to see forest re-established on private land throughout the district. It may help achieve these objectives by acquiring units from local suppliers. The Council will not, however, pay significantly above market rates for local units.

**Acquire least-cost units** – in cases where the Council cannot acquire enough units locally or where local units are significantly above market rates, the Council will acquire units at least cost. The Council will not require units to have any additional characteristics beyond those set by Government under the NZETS rules.

**Investigate opportunities for economies of scale in the purchase and sale of units** – the Council will consider cooperating, where appropriate, with other local authorities or private entities to achieve economies of scale in the acquisition and/or sale of emission units. In doing so the Council will generally not take on the performance risk of any entities with which it cooperates.

**Consider overall interests of Wellingtonians not just Council's direct costs** – the Council should consider the overall interests of Wellingtonians when making decisions, even though this may mean investing in new technologies rather than simply passing on cost increases by way of rates or fees.

**Carbon responsibility** – the Council will consciously consider the effects of its decisions on carbon emissions and storage, and the need for the city to make a positive contribution to avoiding future climate change where this is affordable.

## Monitoring and evaluating a changing policy and market environment

The policy and market environment for carbon pricing is changing constantly. Good decision-making requires good information.

There are many sources of such information available which the Council will analyse and summarise to aid decision-makers. Information will also be assessed to ensure its relevance to the Council and the NZETS<sup>1</sup>.

Financial information, in particular information on the cost of emissions units, will be monitored and evaluated.

Developments in the wider political environment, including internationally, will also be monitored and evaluated.

The information and intelligence gathered will be used to inform decision-making and annual planning processes, including the setting of fees and rates and the assessment of new initiative proposals.



<sup>1</sup> For example, much of the information on carbon pricing relates to the European Trading Scheme which is often not relevant to New Zealand.