
REPORT 4
(1215/52/IM)

SUBMISSION ON THE GOVERNMENT'S 2011 REVIEW OF THE EMISSIONS TRADING SCHEME

1. Purpose of Report

To seek the Committee's approval to the Council's submission (attached as Appendix 1) on the 2011 review of the Emissions Trading Scheme. Submissions close on Wednesday, 6 April 2011.

2. Recommendations

Officers recommend that the Committee:

- 1. Receive the information.*
- 2. Agree to the Council's submission (attached as Appendix 1) on the 2011 review of the Emissions Trading Scheme.*
- 3. Delegate to the Chief Executive and the Climate Change Portfolio Leader the authority to make any editorial changes and any changes agreed by the committee.*

3. Background

The Climate Change Response Act 2002 requires a review of New Zealand's Emissions Trading Scheme (ETS) to be completed before the end of 2011. The review is being conducted by an independent Review Panel, which will report to the Minister for Climate Change Issues by 30 June 2011.

Under its terms of reference, the review is to focus on the high-level design of the ETS. The review will take into account different scenarios for what might happen internationally to tackle global climate change after 2012. The review will also look at whether the transition measures introduced in 2010¹ should end as scheduled and the ETS scale up to a full obligation after 2012.

¹ These transitional measures include a price cap of \$25 on emissions units purchased from the government, a 2-for-1 provision for some sectors (effectively creating a price cap of \$12.50 for these sectors) and no ability to sell non-forestry emissions units internationally (due to the effect of the price cap).

The terms of reference for the review make it clear that the review will not be revisiting the need for an emissions trading scheme or looking at other responses to climate change.

The ETS Review Panel has released an issues statement for consultation. The statement includes a list of consultation questions. The consultation document, "Emissions Trading Scheme Review 2011 – Issues statement and call for written submissions" presents the Panel's understanding of the current impacts of the ETS overall and its impacts on each sector. The questions for consultation are framed in such a way as to allow interested parties from any sector to respond with their views. The Panel will attach more weight to those submissions which provide evidence than those which do not.

It is unlikely that the Panel will be able to meet with all stakeholders who make a submission, given the number of submissions it is likely to receive. However, the Panel does intend to meet with a selection of stakeholders on 13, 15 and 20 April 2011, based in Wellington.

4. Discussion

The Council's draft submission is generally supportive of the ETS, with implementation continuing as currently proposed. The key points of the Council's draft submission are:

- the Council has a good understanding of the ETS, given its experience in the forestry sector (working alongside government), development of a carbon management policy and preparing for the introduction in the waste sector
- the ETS will be most effective when similar measures are in place across key economies internationally
- it is too early to make further changes to the scheme, but the Council supports and encourages the introduction of other measures to complement the ETS
- impacts on ratepayers and Council operations so far have been minor – particularly with low carbon prices - but the ETS will influence the Council's investment decisions
- it is not the ETS, but New Zealand's commitment under the Kyoto Protocol that will affect our economy – the ETS is simply the most effective way to distribute costs
- Government policies and strategies would benefit from consistency to ensure that New Zealand meets its obligations at least cost to the economy.

The review focuses on companies that are exposed to competitiveness issues, sectors that are not yet included in the ETS (in particular agriculture) and allocation of units to trade exposed sectors. These issues are not core to Wellington City Council's position on the ETS. The submission, therefore, indicates that the Council does not wish to meet with the Panel in support of its submission.

4.1 Consultation and engagement

Officers attended a question and answer session on the ETS review (hosted by the Ministry for the Environment) that allowed for interested stakeholders to discuss key issues of the ETS review in an open forum.

The submission does not require consultation as the submission is a reflection of existing Council policy and previous Council decisions.

4.2 Financial considerations

There are no financial implications resulting from the recommendations of this report.

4.3 Climate change impacts and considerations

The draft submission represents Council policy as expressed in the 2010 Climate Change Action Plan, the 2009/19 Long Term Council Community Plan (LTCCP) and previous Council submissions on the ETS.

4.4 Long Term Plan considerations

There are no Long Term Plan considerations resulting from the recommendations of this report.

The Council's forecasted liabilities (from landfill emissions) and income/assets (from forest sinks) as a result of the ETS are budgeted in the Council's 2009/19 LTCCP. These liabilities and assets are updated each year.

5. Conclusion

This report seeks the Committee's approval to the submission (attached as Appendix 1) on the 2011 review of the Emissions Trading Scheme.

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Supporting Information

1) Strategic Fit / Strategic Outcome

This activity fits with the outcomes for the Environmental Strategy.

2) LTCCP/Annual Plan reference and long term financial impact

There are no LTTCP references or long term financial impacts in this report.

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi implications from this report.

4) Decision-Making

This report does not require a significant decision.

5) Consultation

a) General Consultation

No general consultation has been undertaken for this report.

b) Consultation with Maori

No consultation with Maori has been undertaken for this report.

6) Legal Implications

There are no legal implications from this report.

7) Consistency with existing policy

The report and submission are consistent with existing policy (the advocacy role outlined in the 2010 Climate Change Action Plan).