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Updating the New Zealand Emissions Trading Scheme

ExportNZ is pleased to have the opportunity to provide a submission to the Ministry for the Environment on its consultation document entitled 'Updating the New Zealand Emissions Trading Scheme: A Consultation Document', dated April 2012.

1. ExportNZ is concerned about maintaining the international competiveness of our exporters with any strengthening of the NZ Emissions Trading Scheme as is being proposed. This effectively would catapult NZ into leading the world in terms of the stringency with which we price carbon across the NZ economy.

2. In our view the government should maintain the current moderating features of the scheme, until such time as other countries take more stringent action themselves. We have no objection to New Zealand doing its fair share in tackling the global emission reduction challenge, but we are concerned that NZ does not move ahead of other countries in stringency and cost which will merely put our competitive exporters at a disadvantage when it comes to the cost of production.

3. We do not believe that the NZ scheme should be based on or linked to the Australian scheme for the sake of it without thinking through the issues carefully. The current ETS was based on a proposed Australian ETS that never had enough political support to be launched. Because it was designed for the more energy intensive Australian economy, a cut and paste into NZ legislation has done many of our largest exporters a disservice. Our largest food processors get minimal ETS allocation to offset the cost of the scheme, because the methodology used to determine the allocation of units was designed to compensate very highly energy intensive Australian firms. Because the threshold for allocation was designed with these companies in mind, our largest exporters are exposed to significant additional costs of the ETS (we are talking additional costs of $25m rising to $100m if the costs rise as predicted).

Of the companies that do get an allocation in the NZ scheme, a large proportion is hot house growers. This odd mix of recipients of free units – the very largest and the smallest - leaves a gaping hole in the protection of mid-sized export businesses. The threshold for allocation of free units to maintain a competitive level playing field for trade exposed companies should be based on a lower allocation threshold with a "value added" criteria.

4. Just as New Zealand is opening up a competitive wedge against Australia in our manufacturing sector due to lower overheads, lower tax rates, ease of doing business and lower labour costs, why would we want to undermine that by introducing higher price on carbon? This will be kept higher by having a domestic emissions cap, a limit on buying the 'least cost' emission reduction units internationally and linking to Australia (especially if they link to the EUETS). The EU strives to have the highest price of carbon due to the political parameters of the scheme, not due to the least cost of emission reductions.

Yours sincerely

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