

13 July 2009

**CLIMATE CHANGE (STATIONARY ENERGY AND INDUSTRIAL
PROCESSES)
REGULATIONS 2009
CLIMATE CHANGE (UNIQUE EMISSIONS FACTORS) REGULATIONS 2009
SUBMISSION ON CONSULTATION DRAFTS
Submission to: Ministry for the Environment
PO Box 10-362
WELLINGTON 6143**

From: Catherine Beard, Executive Director, Greenhouse Policy Coalition.

1. The Greenhouse Policy Coalition, on behalf of members, welcomes the opportunity to make some high level comments on the draft regulations for the Stationary Energy and Industrial Process sector. We note that the regulations are technical in nature, and most members will be submitting directly on the technical aspects of the regulations as they affect their industry/business.
2. Our main comment is that the process for making regulations is less than satisfactory in that they are proceeding in advance of what we presume will be significant changes to the Climate Change Response Act (CCRA). This is important, given there are well known flaws in the Act which need to be remedied and until such time as we see the proposed changes to the Act it is hard to comment on regulations which could well be impacted by changes to the Act.
3. Since the CCRA was passed, we have had a change of government. One of the election promises the current government campaigned on was that the CCRA would be amended and instead of leading the world on climate change policy, the government would take more account of balancing the economic costs with and the environmental objective.
4. We understand that since the government is in favour of a modified ETS, the intention in proceeding with the drafting of regulations was to focus on the technical issues that needed to be resolved around the mechanics of measuring, monitoring and reporting of emissions and working out appropriate emission factors.

5. However, as is to be expected with a highly complicated policy measure such as emissions trading, when you get into the detailed regulations required to make the policy operational there will be policy design choices that are made, and given the nature of emissions trading they will have a large dollar cost attached to them. For this reason, getting this right in terms of helping New Zealand meet its obligations at least cost is critical.
6. Therefore, the process is around the wrong way. If the regulations being devised can have significant cost implications, then some of the issues arising would have been better dealt with in the primary legislation. A good example of this is the treatment of coal seam fugitive emissions or the 'opt-in' options for the gas sector. How can coal seam methane be included in regulations when the IPCC default factors for fugitive emissions are significantly higher than the emission factors in New Zealand (given our geology), but there has been insufficient domestic research to determine more accurately what they should be?
7. Plus or minus 200% accuracy (or greater) is not acceptable when there is a significant cost involved. Proceeding with default emission factors that bear no resemblance to actual emissions fails the MFE's own stated policy goal of providing for 'an accurate and verifiable statement of emissions' and 'neither advantaging or disadvantaging the Crown, i.e. result in a true reflection of New Zealand's Kyoto liability'. If New Zealand emitters end up paying a higher cost than is scientifically justified because of the degree of difficulty in measuring the emissions, then pragmatic solutions should be found.
8. GPC recommends that the government take an iterative approach to developing regulations for a proposed ETS, and allow time for input to be had on a revised ETS before regulations are finalised. GPC members are positive about taking on measuring, monitoring and reporting commitments, and would be in favour of a no penalty "learning by doing" phase commencing in advance of the CCRA being finalised.
9. It should also be noted that this is a long term issue and that post 2012 methodologies are on balance probably more important, than the need to meet a near term liability.

Yours sincerely



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Greenhouse Policy Coalition