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Ministry for the Environment
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Submission on the Climate Change (Stationary Energy and Industrial Processes) Regulations 2008

1. Introduction

1. The Greenhouse Policy Coalition represents companies that will be most affected by the obligations created under the emissions trading legislation. These companies are also significant contributors to New Zealand employment and GDP and it is essential that policy design in this area does not undermine the international competitiveness of our largest employers because it is poorly thought through and rushed.
2. Total sales of GPC members were \$12.4 billion for the year to December 2005. Export value for Greenhouse Policy Coalition members in 2005 totalled approximately \$8.9 billion. This represented 30.3% of New Zealand's merchandise exports in the year to December 2005 (Statistics NZ).
3. Direct employment for Greenhouse Policy Coalition members totalled approximately 27,000 people in 2005. Using a range of multipliers for indirect employment, it was estimated that total employment was approximately 79,000, representing about 4% of the New Zealand labour force (Statistics NZ).
4. In our view, work on the regulations should not proceed in advance of a review of the climate change policy, as agreed in the Coalition agreement between the National and Act parties.

2. Policy Process

1. The Climate Change Response Act 2002, which establishes the New Zealand emissions trading scheme is a flawed piece of legislation that was rushed through parliament prior to a general election with over 1000 technical amendments. The final version of the Act reflected political horse-trading rather than good public policy.
2. In our view the deficiencies in the Act will be exacerbated by the premature promulgation of these regulations.
3. While it is arguable that the detail contained in these regulations would need to be worked out for the introduction of any price based measure that might be recommended further to the review by the special Select Committee; taking the time to get a total package for firms to submit on would be a much sounder approach.
4. The current regulations are incomplete and do not give companies the total picture of how the legislation is to be implemented. For example, there are no specific regulations defining the methodology or process for applying for unique emission factors and there is no methodology or process for calculating removals. These are serious omissions. A single integrated regulatory approach would be much better than a piecemeal approach, and less likely to result in unintended consequences and perverse results.
5. In addition, the emissions trading Bulletin states that Officials are developing regulations for the process of establishing unique emission factors by mid 2009, but this will be too late for those that need to make applications if they have obligations starting in 2010. There is a timing mismatch which could seriously disadvantage firms affected.

3. **Emission Factors**

1. It is critical the time and expertise is available to get emission factors as accurate as possible, as the financial implications of getting it wrong are significant for large industrials.
2. While the companies will make their own submissions on the technical aspects of the calculation of emission factors, a sample of the issues brought to the attention of GPC are listed below.

Questions in the wood waste area include (clause 22);

- How did Officials arrive at a standardized emissions factor and is the factor applicable to different boiler types and combustion processes?

- The precision of standardized emission factors for emissions such as Nitrous Oxide, with a Global Warming Potential multiplier of 310, is critical. A small error in this factor can have serious impacts on the financial value of these emissions. For example a mere 7 tonnes per annum of nitrous oxide at \$30/tonne of carbon is around \$65,000.
- What is the definition of wood waste; dry matter or green waste?

Gas

There are lots of issues with gas that arise.

- Once gas has gone into pipelines it becomes co-mingled, so emission factors probably need to be assessed at the point of injection by the gas producer.
- Some gas is processed by the field operator before dispatch, gas from other fields is not processed, but if you look at the emission factors for each field there is a significant difference between the emission factors for un-processed gas versus processed specification gas.
- Industry experts advise that all the fields have different emission factors for un-processed gas, yet MFE assumes they are all the same.
- Each field probably needs to have a unique emissions factor, as no field meets the NZ specification, creating a significant 'overs' or 'unders' in the calculations.

There will be many further technical details that need significant analysis and input from industry experts, and we submit that there is a high dollar cost if due care is not taken to get the detail right.

Yours sincerely



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