



The New Zealand Emissions Trading Scheme

Consultation on Updates and Technical Amendments to Regulations

- Climate Change (Stationary Energy and Industrial Processes) Regulations 2009
- Climate Change (Liquid Fossil Fuels) Regulations 2008

What's happening?

The Ministry for the Environment is now consulting on a set of proposed changes to the Stationary Energy and Industrial Processes (SEIP) Regulations and one proposed change to the Liquid Fossil Fuel (LFF) Regulations for the New Zealand Emissions Trading Scheme (NZ ETS).

This factsheet is intended to guide affected participants and other interested parties in making a submission in response to these proposals. The proposed changes are described in detail in the document *Proposed updates and technical amendments: Climate Change (Stationary Energy and Industrial Processes) Regulations 2009, Climate Change (Liquid Fossil Fuels) Regulations 2008*.

Purpose of the changes

The proposed changes are intended to:

- update default emission factors where appropriate
- correct some technical errors in the Regulations
- provide greater certainty for participants, and
- improve the workability of the Regulations.

Making a submission

Submissions on any or all of these proposed changes are welcomed from parties who may be affected, and other interested people.

Send submissions to ETSRegulations@mfe.govt.nz or Ministry for the Environment, PO Box 10362, Wellington 6143.

The deadline for submissions is **5pm on Friday 6 August 2010**.

Who may be affected?

The changes affect those who:

- combust used oil, waste oil, used tyres or waste
- use Wairakei geothermal steam
- purchase gas (opt in) and import gas

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- mine gas, especially if not connected to a sales network
 - mine coal that is exported by a third party
 - are involved in exporting coal
 - purchase and import coal and plan to use a coal stockpile adjustment, and
 - supply liquid fossil fuel that is on-sold by a third party for international marine or aviation uses.

Backdating of the changes

Both the SEIP and LFF sectors have reporting obligations from 1 January 2010 and emission responsibilities from 1 July 2010. It is proposed that these changes to the SEIP and LFF Regulations be backdated to 1 January 2010 to make it easier to accurately and efficiently report emissions for the 2010 calendar year.

The changes that are now being proposed will need to be incorporated in emissions returns due 31 March 2011.

Summary of the proposed changes

1. Waste combustion – calculation of DEFs

Location: SEIP Regulations, Schedule 2, Table 7.

Change: Amend the default emission factors (DEFs) for waste combustion.

Reason: A technical error in calculating the original DEFs would have resulted in participants' obligations being overstated by about 11 per cent.

2. Waste combustion – definition of “t”

Location: SEIP Regulation 24(1)(e).

Change: Amend the definition of the variable ‘t’, covering estimation of waste combustion emissions using the continuous monitoring option.

Reason: The variable ‘t’ was incorrectly defined and is needed to ensure the emissions equation in 24(1)(e) yields meaningful results.

3. Geothermal steam – classes associated with Wairakei field

Location: SEIP Regulations, Schedule 2, Table 6 Part A.

Change: Amalgamate the DEFs for two existing classes of geothermal steam associated with the Wairakei field into a single class.

Reason: The current distinction is unnecessary.

4. Natural gas – updating DEFs

Location: SEIP Regulations, Schedule 2, Table 7.

Change: Amend the existing natural gas field and national average DEFs, by updating the natural gas DEFs based upon 2009 data reported to MED.

Note: It is intended that this should occur on an annual basis.

Reason: So that these DEFs, used by gas purchasing participants and users of a gas storage adjustment, remain as accurate as possible and any new fields can be included.



5. Gas purchasing – gas storage facilities

Location: SEIP natural gas purchasing Regulations 49(3) and 50(7).

Change: Amend as follows:

- a) Make the calculation of a gas storage adjustment mandatory.
- b) Provide for the calculation of the emissions, including the treatment of the gas storage adjustment where a person ceases to be an opt-in participant with regard to the activity of purchasing natural gas.
Note: This would require a final storage figure to be calculated to reflect all opt-in gas that remains in the storage facility at the date that the person ceases to be an opt-in participant.
- c) Provide for the situation where a third party operates a gas storage facility which stores gas owned by a gas purchasing participant.
Reason: The proposed amendment would allow the use of a gas storage adjustment by a participant who injects and then extracts its gas from a facility operated by a (specialist) third party.
Note: The facility may also be made available to other gas purchasing participants.
- d) Develop a gas storage adjustment methodology that matches the recognition of base coal in the coal stockpile adjustment already provided for in Regulations.
Reason: This provides a mechanism for a gas purchasing participant to subtract non-obligation gas from their emissions return. This is gas which was purchased and stored before the person became a participant, and placed in a gas storage facility.
Note: The storage facility may also contain obligation fuel.

6. Gas importing – gas storage facilities

Location: SEIP Gas Importing Regulations 13(3) and 14(4).

Change: Amend to repeat the change made in 5(c) above for gas purchasing participants.

Reason: To provide consistency of treatment across natural gas importing and purchasing participants.

7. Gas mining – definition of “point of sale” where no fiscal meter exists

Location: SEIP Regulations

Change: Clarify the point of measurement for natural gas miners who are not connected to a sales network and have no fiscal meter.

8. Coal mining – exports undertaken by third parties

Location: SEIP Regulations 10 and 11.

Change: Amend to allow a coal miner to subtract coal that is mined, and then sold to another party for export, from its emissions return.

Reason: Smaller-scale mining participants have indicated that they may sell coal to another party for export. It is possible that the exporter has not opted in or that the quantities involved do not meet the threshold for the exporter to opt in. The proposed amendment is intended to ensure that coal sold for export or to be blended into export shipments will not attract an emission responsibility in New Zealand.

9. Coal purchasing – stockpile adjustment

Location: SEIP Regulations, Schedule 1.

Change: Amend as follows:

- a) Amend the definitions of stockpile to accommodate the notion of an aggregate stockpile covering all purchased coal held by the participant – it will not all need to be held in one place.



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- b) Amend the definition of 'base date' for a coal stockpile.
Reason: To increase the certainty that the intention of Section 219(4) of the Climate Change Response Act 2002 is met – that when calculating emissions using the SEIP Regulations, references to 'year' also cover the period 01/07/10 to 31/12/10.
- c) Require a final stockpile figure to be calculated, accounting for all coal that remains in the stockpile at the time that the person ceases to be an opt-in participant.

10. Liquid fossil fuels – sold by a third party for international use

Location: LFF Regulations.

Change: Amend so that if a participant sells obligation fuel to another party, and the other party then on-sells it for use on an international trip, the participant can subtract this fuel out of their emissions calculation.

Reason: The current Regulations only allow this to occur when the participant sells fuel directly to the user for international travel.

Disclaimer

Submitters should be aware that all submissions will be made publicly available at www.mfe.govt.nz. People are able to provide material to officials marked "Commercial: In Confidence" which will not be published on this website. However, any such material remains subject to the Official Information Act (OIA). The OIA sets out the thresholds for withholding commercially sensitive information but also requires any particular public interest in the information to be taken into account by officials making decisions on OIA requests.

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