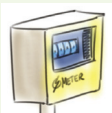


How can I save money?

For most businesses there are a number of easy ways to reduce costs and emissions, for example:



Review your energy use to identify areas where you can make savings. EECA has tools to help you.
www.eecabusiness.govt.nz



Choose more fuel-efficient vehicles, improve driving habits and keep tyres pumped.
www.fuelsaver.govt.nz



Look at ways to improve building energy efficiency.
www.eecabusiness.govt.nz



Use more energy-efficient appliances and equipment and do simple things like turning computers and lights off.
www.energywise.govt.nz

The Government has information and programmes to help you. To find out more go to www.climatechange.govt.nz/ets

Will the ETS reduce emissions?

Yes. It will reduce emissions by an estimated 19 million tonnes by 2012 and, with forest plantings, will enable New Zealand to meet its Kyoto target. Without the ETS New Zealand may exceed its Kyoto target by 11 million tonnes.

Is New Zealand's ETS leading the world?

No. Twenty-nine developed countries have introduced an ETS before us. Most started in 2005 and their schemes cover more of their emissions than New Zealand's will in 2010.

The only area the Government is seeking to lead the world is in its work with the Global Research Alliance on agricultural greenhouse gases.

New Zealand launched this initiative and committed NZ\$45 million to it. We won the support of the United States (US\$90 million over five years) and Canada (CAD\$27 million over four years). Many more countries have now joined and more are likely to do so.

Are changes to the ETS planned in future?

The legislation requires a review in 2011, and regularly thereafter, to enable the scheme to be refined in response to progress internationally and the latest science. The Government has said that moving from a half to full obligation and adding additional sectors like agriculture is conditional on our major trading partners making progress.



Case study



"By reducing the amount of fossil fuels we are using we are actively managing our exposure to the upcoming cost of emissions."

SOUTHLAND BUSINESS REDUCES EMISSIONS WITH WOOD ENERGY

An innovative, Invercargill-based commercial laundry has cut the greenhouse gas emissions by a massive 97 per cent by becoming one of the first laundries in the country to install a wood chip boiler for heat.

JA McCallum and Son Ltd (known as the McCallum Group) provide laundry and dry-cleaning services in Southland and Otago. Their old industrial boilers were running on LPG and light fuel oil which was expensive. Plans to move to a new site presented McCallum's with the ideal opportunity to look at alternatives.

In addition to the emissions reduction, the new wood chip boiler has reduced their energy costs by nearly two thirds.

"We are really pleased with the results," said Managing Director Wayne McCallum. "By reducing the amount of fossil fuels we are using we are actively managing our exposure to the upcoming cost of emissions. On top of that, we have agreed a five-year contract for the wood supply which gives us certainty on our energy costs."

Wood is a 100 per cent renewable and cost effective. There is an almost unlimited amount of forest residue available each year in New Zealand.

For more information go to www.eecabusiness.govt.nz



» The New Zealand Emissions Trading Scheme – information for BUSINESS OWNERS

How small and medium-sized businesses can lower energy costs and reduce greenhouse gas emissions

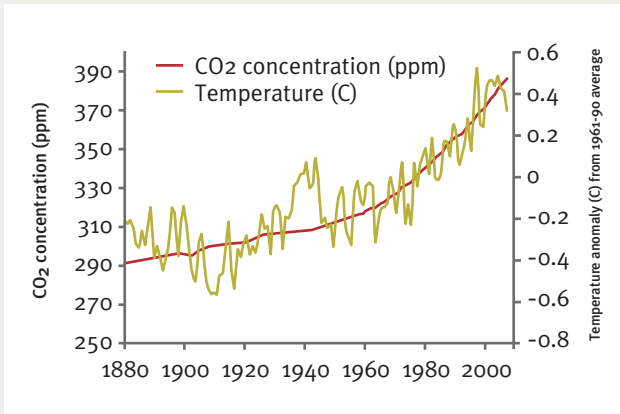


"The ETS gives incentives to plant trees, replace thermal with renewable energy and invest in energy efficiency so we can do our share to cut emissions."

Hon Dr Nick Smith – Minister for Climate Change Issues

What is the problem?

The burning of fossil fuels and clearing of forests is changing the chemical composition of the atmosphere. CO₂ levels are 35 per cent higher than they were before industrialisation. If the current rate of increase continues, we could see a doubling by 2050. Other gases like methane and nitrous oxide from agriculture are also increasing in concentration.



Source: UK Department of Energy and Climate Change

Scientists' concern is that these greenhouse gases will raise global temperatures, increase sea levels and lead to more extreme weather events. The risk to future generations justifies action now to curb our growth in emissions.

Why should New Zealand curb its emissions?

Eighty per cent of the increased concentration in these gases has come from 20 per cent of the world's population in developed countries like New Zealand. Our emissions are small globally (0.2 per cent) but are the 12th highest per capita at 18 tonnes of CO₂ equivalent.

How does our ETS relate to the Kyoto Protocol?

The Kyoto Protocol is a United Nations agreement aimed at reducing global emissions. It requires that the 38 developed countries like us take the first steps to reduce our emissions for the period 2008 to 2012. While most countries have to cut emissions, our target requires us to stabilise our emissions at 1990 levels. New Zealand's emissions today are 23 per cent

above our 1990 levels, mainly due to growth in transport and electricity emissions. This is one of the highest increases in the developed world.

Why is acting now in New Zealand's interests?

New Zealand brands itself as clean and green. We put this reputation and our market access at risk if we do not do our share. The world is on a path to reduce emissions and at some point we are going to have to adapt. The sooner we start, the easier the transition.

Is there assistance for trade-exposed businesses?

Yes. Businesses where the cost of the ETS exceeds 1 per cent of gross turnover are eligible for a 60 per cent allocation of units, and those over 2 per cent of gross turnover a 90 per cent allocation. You can check your eligibility by going to: www.climatechange.govt.nz/ets

What compliance cost is there for business from the ETS?

Very few businesses will have any additional compliance costs on 1 July. Thermal electricity generators, fuel and gas companies, coal miners, major industrial processors (aluminium, steel,



cement) and those trade-exposed companies eligible for an allocation are the only ones required to directly participate in the ETS.

How much will the ETS cost business?

In the ETS the cost of carbon will be reflected in increased prices for electricity, petrol, diesel, gas and coal. Amendments to the ETS last year halved these price increases to around 1 cent/kWh for electricity, 3.1 cents/litre for petrol and 3.3 cents/litre for diesel.

Who receives the money?

Forest owners and some businesses with allocations that have invested in renewable energy or carbon-efficient technology will have units they can sell. Businesses who are heavy emitters, such as coal and gas miners, petrol companies and electricity generators, will need to buy units.

What is the difference between the ETS and a carbon tax?

The ETS puts a market-based price on carbon and is designed to be cost-neutral over time. It is not a tax because it doesn't raise revenue for the Government. Transactions in the ETS occur in the market between willing buyers and sellers. The price is set by supply and demand just like any commodity market. A carbon tax has a predetermined price level.

Are there alternatives to an ETS?

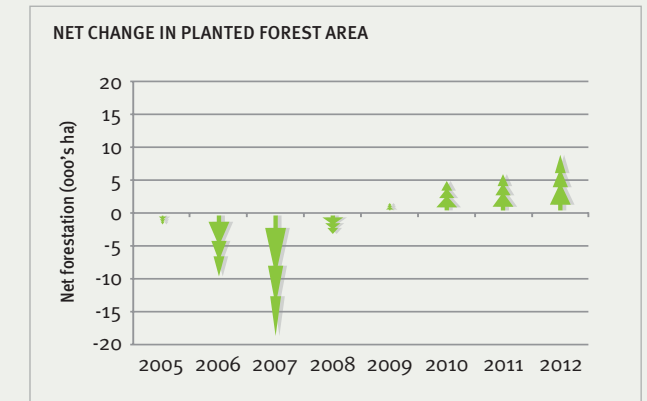
Other options might be to regulate allowable emission levels, mandate the introduction of new technologies or introduce large scale public funding. Some countries have hybrid schemes with an ETS covering some emissions and a carbon tax imposed on others.

These options require the Government to decide what to regulate and how, which winners to pick and what carbon price will achieve the desired reductions in emissions.

A transparent price for carbon gives some certainty as to the level of liability a business faces. This allows businesses to make their own decisions regarding future investment and the ability to seize new market opportunities.

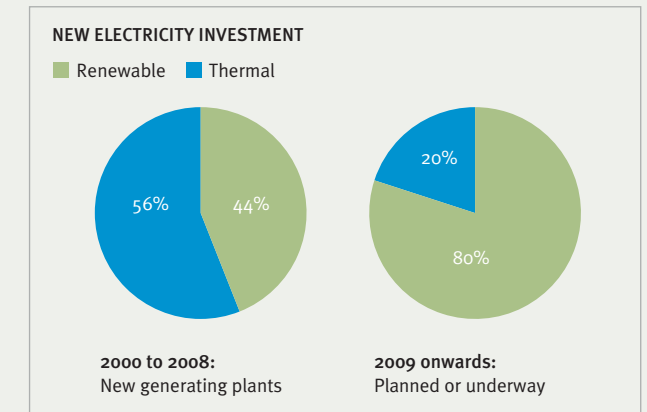
Are there signs the ETS is working?

Yes. Planted forest area switched from a loss to a gain in 2009.



Source: Ministry of Agriculture and Forestry and Ministry for the Environment

Investment in renewable power is going up.



Source: Ministry of Economic Development and Electricity Commission

Investment in forestry and electricity is long term. Businesses need certainty to make that investment and the ETS will provide this.