

15 September 2021

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Tēnā koe Lisa

I am writing to you about the Ministry's current consultations on designing a market governance framework and reforming industrial allocation in the New Zealand Emissions Trading Scheme (NZ ETS).

I am pleased that the Ministry is progressing work on these two important topics. As the Commission noted in our recent advice, Ināia Tonu Nei, effective governance of the NZ ETS is important for the integrity and efficiency of the market and ongoing output-based industrial allocation is not compatible with Aotearoa's long term deep decarbonisation goals.

The Commission will not be providing a detailed written submission to these two consultations. This reflects that we only recently provided our advice on the emissions reduction plan, that our role is at the level of advising on the direction of policy, and the need for us to focus now on other priorities in our work programme. We will watch how these policies develop with interest as part of our role in monitoring emissions budgets and the adequacy of the emissions reduction plan.

I would, however, like to comment on two issues raised in the consultation that intersect directly with how the Commission undertakes its work. These comments do not represent a formal position taken by the Commission but relate to practical considerations identified by our staff.

The first is the how NZ ETS policy is announced, mentioned on page 42 of the market governance consultation document. The Commission produces advice on the NZ ETS. We also support the goal of equal access by all market participants to information about potential or actual changes to policy that may affect NZU prices. We think it would be useful to have clearer protocols for the release of material information on NZ ETS policy matters, to guide all agencies and decision makers involved in announcing this sort of information.

The second issue is the reporting of emissions, production and revenue data by firms that receive industrial allocation, discussed on pages 37-38 of the industrial allocation consultation document. One of the Commission's functions is to advise the Government on the phase out of industrial allocation.

Data from industrial allocation recipients could be pertinent and useful for this and other areas of the Commission's work. We ask therefore, that in considering whether to require this reporting and any rules around the use of reported data, that the Commission's role be taken into account.

The Commission also provided advice on a range of other NZ ETS issues, as well as governance, and looks forward to seeing the Government's response via its emissions reduction plan in due course. We intend to take a close interest in any plans to amend the NZ ETS, as it is such a key tool for supporting Aotearoa's achievement of emissions budgets.

Commission staff are available to discuss these issues with the Ministry for the Environment, if that would be useful.

Ngā mihi



Jo Hendy
Chief Executive
Climate Change Commission