

# Factsheet

---



The Climate Change Response (Emissions Trading Reform) Amendment Bill will be introduced today and have its first reading in early November 2019, and will then be referred to the Environment Select Committee. The Bill should pass in early 2020.

## **The key features are:**

- To price primary sector emissions from 2025 onwards and a joint plan of action to get there and reduce emissions in the interim
  - In order to ensure a steady legislative path, the bill will contain agriculture entering the ETS at farm-level for livestock emissions and processor level for fertiliser emissions in 2025 and setting the level of free allocation at 95%.
  - HOWEVER – as agreed with the sector we will work together on an alternative pricing mechanism for on-farm emissions in 2025, as the ETS was originally developed for a small number of big companies, not tens of thousands of individuals.
  - This will be done as part of a 2022 review which will look at:
    - What progress has been made on the agreement with the sector
    - Whether there are any barriers to implementing farm level pricing in 2025
    - Developing an alternative pricing mechanism to the ETS for farm level pricing
    - If the review finds there isn't enough progress the Government can put the agriculture sector into the ETS at processor level earlier than 2025
    - Changes to the bill regarding this 2022 review will be introduced via Supplementary Order Paper (SOP)
  - To encourage emissions reductions and build the systems and capability for a workable and effective farm level scheme in the interim period prior to 2025, Government enters into a formal agreement with Iwi/Māori and the sector.
  - A Governance Group accountable for delivery of the Commitment will include sector representatives, government officials and Iwi/Māori representatives.
  - An SOP will also include change to require the Climate Change Commission to provide advice to inform phase-out of agricultural allocations.
  - Farmers will be required to report their livestock emissions from 2024.
-

**Other ETS reforms include:**

- Aligning the purpose of the ETS with the Zero Carbon Act and the Paris Agreement, i.e. New Zealand doing its bit to limit global warming to 1.5C.
  - Putting a cap on emissions to align with the five year emissions budgets in the Zero Carbon Act.
  - Enabling auctioning of units in the ETS. This will enable the government to control the amount of units – and therefore the volume of emissions.
  - Transitioning from the Fixed Price Option “price ceiling” to a Cost Containment Reserve. At present, emitters can choose to pay the government \$25/tonne instead of surrendering ETS units. A better option for the future is for the government to supply extra units into the market if the price gets too high, therefore limiting the further price rises.
  - Enabling a price floor if needed in the future. This would help protect the value of forestry investments, and provide more stability and predictability for the whole economy.
  - Starting a slow phase-down of industrial allocation and enabling further reductions in allocation as the risk of emissions leakage reduces.
  - Improving transparency in the ETS by enabling publication of more emissions data.
  - Updating the compliance and penalties regime to be more fit for purpose, and administratively easier for the government.
  - Introducing averaging accounting for forests registered in the ETS from 1 January 2019. This facilitates ongoing harvesting and replanting of forests, and also gives landowners more flexibility to deal with adverse events like fires, and deforest one area provided another equivalent area is forested to offset the deforestation.
  - A range of operational and technical forestry improvements.
-