

Questions and answers for the 2017 ETS reports

9 August 2018

Purpose

The Environmental Protection Authority has written this document to help people understand the information contained in the annual reports on the New Zealand Emissions Trading Scheme (NZ ETS).

Each year we release three reports, to inform people about the activities in the NZ ETS, and to meet our obligations under the Climate Change Response Act 200) (the Act):

- The Annual NZ ETS Report, also known as the Section 89 Report.
- The Synthetic Greenhouse Gas Levy (section 250) Report.
- Emissions Trading Scheme Facts and Figures.

You will find information about each of these reports below.

The Annual ETS Report

Why does the information in the Annual NZ ETS Report include data relating to reporting periods other than 2017/18?

Under the Act, the EPA must release information about the previous reporting year (1 July 2017 to 30 June 2018). This mostly includes information on activities reported during the 2017/18 financial year, but the activity may have occurred over a longer period or in an earlier year. For example, the forestry removals sector can choose to report annually, but at a minimum is required to file a return at the end of each five year mandatory reporting period.

Why does the Annual NZ ETS Report contain the total emissions for previous years?

Amendments made during the current reporting year could relate to any of the years of the NZ ETS' operation. To allow for year-on-year comparisons, the EPA has included a table of each year's emissions to account for these amendments relating to what has been reported previously. The emissions reported in the 2017 annual report are those that occurred in the 2017 calendar year. Amendments to previous years will be reflected in the change to the previous year's total emissions.

Why does the combined total tonnes of [CO₂e removed in Tables 6 and 6.1 of the Annual NZ ETS Report not equal the number of units transferred for removal activities in Table 9?

Table 6 shows the total tonnes of CO₂e removed by participants engaged in forestry removal activities (which means removing emissions, rather than removing forests). These participants receive one New Zealand Unit (NZU) for every tonne of CO₂e removed.

Table 6.1 shows the total tonnes of CO₂e removed by participants engaged in Other Removal Activities (ORA). ORA participants were entitled to receive one NZU for every two tonnes of CO₂e removed for activity before 1 January 2017. For activity occurring between 1 January 2017 and 31 December 2017, ORA participants were entitled to receive one unit for every 1.5 whole tonnes of removals. For activity occurring between 1 January 2018 and 31 December 2018, ORA participants are entitled to receive one unit for every 1.2 whole tonnes of removals.

This difference in NZUs received is reflected in the total number of units transferred for removal activities shown in Table 9.

How does the number of units surrendered in Table 8 of the Annual NZ ETS report relate to the total emissions reported in Table 5?

The total emissions recorded were 74,332,494 tonnes of CO₂e and the net number of emission units surrendered was 22,541,116 units. There are several reasons for the difference in the numbers:

- Non-forestry sector participants carrying out activities with unit surrender obligations had to surrender one emission unit for every two tonnes of emissions from activities prior to 2017. For activities during 2017 one emission unit for every one and one half tonnes of emissions resulting from those activities during 2017.
- The tables include late surrenders from the previous year.
- Activities in the agriculture sector have an obligation to report their emissions, but not to surrender emission units for their emissions.

Why are the total allocated units in Table 10 of the Annual NZ ETS Report not broken down into sectors?

The Annual NZ ETS Report aggregates information to show the total number of emission units allocated to businesses carrying out eligible activities. Allocation decisions for each applicant are made public on the EPA website and in the New Zealand Gazette.

How does the total dollar amount surrendered in Table 11 of the Annual NZ ETS Report relate to emission units?

The Act allows participants to meet their emissions surrender obligations by surrendering emission units, paying \$25 per emission unit, or a combination of the two. In 2017, participants opted to pay a total of \$525,475 to surrender 21,019 emission units to meet their obligations.

The Synthetic Greenhouse Gas Levy (section 250) report

How is the synthetic greenhouse gas levy set?

The synthetic greenhouse gas (SGG) levy is set out in the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013. The SGG regulations specify which products are subject to the levy and the levy amounts. Levy rates are calculated as set out in the Act and Section 9 of the SGG Regulations.

Why is there a large difference in the synthetic greenhouse gas levy between the 2016/17 and 2017/18?

The increase is primarily the result of two factors: the phase out of the one-for-two transitional measure, and an increase in the carbon price. These means that the levy payable in 2017/2018 was larger than that of 2016/2017.

What happens to the money?

All money collected is paid to a consolidated Crown account by New Zealand Customs Service and the Ministry for the Environment, on behalf of the New Zealand Transport Agency.

Emissions Trading Scheme Facts and Figures

Why is the estimated pre-1990 forest land that did not receive an allocation, and the estimated post-1989 forest land not currently registered in the NZ ETS, in Figure 3 different from previous years?

Numbers are estimates and are regularly revised using the most up-to-date information available. This year's figures reflect the most up-to-date information available at the time of preparing this report.

General questions about the Emissions Trading Scheme

Does the Annual ETS report assess the effectiveness of the NZ ETS?

The Annual NZ ETS report does not provide any analysis of the effectiveness of the NZ ETS' or carbon markets.

What happens if participants do not comply with their NZ ETS obligations?

The EPA works closely with NZ ETS participants to help them comply with their obligations. The Act provides for enforcement options for non-compliance, including emissions penalties and prosecution.