

Frequently asked questions on the annual reports required by the Climate Change Response Act

1. Why is the information in the Annual ETS Report not just about activity in 2013?

Under the Climate Change Response Act (the Act), the Environmental Protection Authority (EPA) is required to release information relating to the previous reporting year (1 July 2013 – 30 June 2014). The report covers a wide range of sectors and returns, and mostly includes information on activities which were reported over the 2013-14 financial year but the activity may have occurred over a longer period or in an earlier year. For example, the forestry removals sector can report over one, three or five year periods, and it is only when the return is lodged that the emissions are recorded.

2. Why are there two emissions reporting periods in the 2010 report but only one reporting period in 2011 and 2012 reports?

The 2010 annual ETS report included emissions reporting and surrenders for the 2010 calendar year, which was a transitional reporting year for the Stationary Energy, Industrial Processes and Liquid Fossil Fuel sectors. In 2010, participants were required to report their total emissions for the whole year (1 January 2010 - 31 December 2010) as well as reporting emissions that only occurred in the second half of the year (1 July 2010 - 31 December 2010). This is because the unit surrender liability started from 1 July 2010.

The 2011 and 2012 reports include information on emissions and obligations for the full calendar 1 January - 31 December, respectively.

3. Why are the emissions for 2012 and 2013 so much higher than earlier years?

2012 marked the first year of mandatory reporting for several activities in the NZ ETS. The Agricultural and Waste sectors, and activities involving Synthetic Greenhouse Gases (SGG) were required only to report emissions from the 2012 year onwards. From 2013 Waste and SGG participants were required to both report and surrender units. Surrender obligations for the Agriculture sector have been delayed indefinitely pending a review of the NZ ETS, currently scheduled for 2015.

4. Why are forestry removal activities being counted in Table 5 of the 2012 and 2013 reports?

In previous annual ETS reports forestry removal activities were not included in the 'Total emissions by activity' table. However, the EPA has recently re-examined its obligations under Section 89 and decided that Table 4 and Table 5 should include emissions from the harvesting of post-1989 forests. Going forward, emissions from forestry removal activities will be reported each year.

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

In order to make the annual ETS report more useful for readers, the EPA has altered its approach to capturing emissions reporting activities. Prior to the 2012 report, emissions returns for the previous calendar year as well as amendments to emissions from previous years that were completed in the reporting period were reported together. These amendments could relate to any year of the NZ ETS' operation. As such, the emissions reported were not comparable year on year.

In order to allow for year on year comparisons of the emissions reported to the NZ ETS, the EPA is including a table of each year's emissions to account for these amendments. The emissions reported in the 2013 annual ETS report relate only to those emissions that occurred in the 2013 calendar year. Amendments to previous years will be reflected in the amendment to the previous year's total emissions.

6. How does the *Number of units surrendered* in Table 9 relate to the *Total emissions* reported in Table 5?

In the 2013 report there were 97,131,843.10 CO₂e emissions reported although only 45,821,840 units were surrendered. The difference arise because of three factors

Under the current settings of the NZ ETS, as set out by the Act, non-forestry sector participants carrying out activities with surrender obligations are required to surrender one unit for each two full tonnes of emissions that result from these activities. Participants carrying out activities in the forestry sector are required to surrender one unit for every full tonne of emissions that result from these activities. The tables include late surrenders from the previous year which then fell into this reporting period. And finally, activities in the Agriculture sector had an obligation only to report emissions, and not to surrender units for those emissions.

7. Why are the *Total allocated units* in Table 11 not broken down into sectors?

The annual ETS report has information aggregated to show the total number of units allocated to businesses carrying out eligible activities. Allocation decisions for each applicant are made public on the Climate Change website and in the New Zealand Gazette. Allocations for fishing were made as one off quotas and were published in September 2010:

www.climatechange.govt.nz/emissions-trading-scheme/participating/fishing/allocation/decisions/index.html

Pre-1990 forestry allocations are published periodically:

www.climatechange.govt.nz/emissions-trading-scheme/participating/forestry/decisions.html

Industrial allocations are published each year for the final allocation of units received based on the previous calendar year's production volume (published in July 2014 for the 2013 year):

www.climatechange.govt.nz/emissions-trading-scheme/participating/industry/allocation/decisions/index.html

8. How does the total dollar amount surrendered relate to units?

The Act allows participants to meet their emissions surrender obligations through the payment of money, the surrender of units, or through a combination of the two. In 2013 there was one instance of a participant opting to pay money rather than surrender units to meet their obligation. A total of \$50.00 was paid to a Crown bank account in place of the surrender of two units.

9. Why are units reimbursed included in Table 9?

From 2012 the annual ETS report has contained the number of units reimbursed by the Crown during the financial year. Reimbursement occurs after an amendment has determined that the participant over-reported their emissions, and therefore surrendered too many units. By capturing the number of units reimbursed, the EPA is able to give a more accurate accounting of the Crown's account holdings.

10. Why does the combined total tonnes of CO₂e removed in Tables 6 and 7 not equal the number of units transferred for removal activities in Table 10?

Table 6 shows the total tonnes of CO₂e removed by participants engaged in Forestry Removal Activities. These participants receive one New Zealand Unit (NZU) for every whole tonne of CO₂e removed. Table 7, on the other hand, shows the total tonnes of CO₂e removed by participants engaged in Other Removal Activities. These participants receive one NZU for every two whole tonnes of CO₂e removed. This should be taken into account when comparing the combined total of Tables 6 and 7 to the number of units transferred for removal activities in Table 10.

11. Does the annual ETS report publish personal details or assess the effectiveness of the ETS?

We are not required to publish personal details. Nor is the annual ETS report required to provide any analysis of the performance of the NZ ETS or the carbon market. The report provides information on how many businesses are in the NZ ETS, what their greenhouse gas emissions were or how much greenhouse gas they removed, and their compliance with the rules of the NZ ETS.

12. What happens if participants do not comply with their obligations?

The EPA works closely with participants to assist them with compliance. There are a number of enforcement routes which we can choose to take for non-compliance, including emissions penalties and prosecution.

In 2013, non-compliance fell into two categories: failure to submit an emissions return by the due date and failure to surrender units by the due date. Of the 297 instances of failure to submit an emissions return, which includes partially completed emission returns that were submitted, most were submitted late rather than not submitted at all.

A significant majority of these instances of non-compliance were from forestry participants submitting returns for the first time. All cases of non-compliance are being followed up, and penalties may be applied.

13. Why have agricultural emissions declined significantly from the 2012 report?

As a result of audits by the EPA, large errors in reported emissions for several Agriculture sector participants have been corrected, resulting in a reduction in the 2012 emissions reported for that sector. A year on year comparison of emissions reported for the Agriculture sector show a minor increase in reported emissions for the 2013 year.

14. Why are emissions and removals from the first forestry reporting period included in this report?

While forestry emissions and removals for the first forestry reporting period (2008-2012) should have been received by 30 June 2013 – during the period covered by the previous ETS annual report – this report does contain a significant amount of emissions and removals for that period. This is the result of emissions returns that MPI granted a 20 working day extension on the June 30 deadline and late returns that were not filed within required timeframes. As a result, they were received in the 2013-14 year and therefore are covered by this reporting period.

15. What is the number of units held in the NZEUR?

A breakdown of the number and type of units held in the NZEUR is contained in the table below.

Table 1. Number and type of units held in the NZEUR (as of 1 July 2014).

Unit type	Held in the NZEUR	Held by the Crown	Transferred to cancellation accounts
CER	14,516,055	9,656,714	23,972
ERU	99,102,019	72,631,464	-
RMU	9,050,000	8,671,868	-
AAU	305,777,516	302,803,330	29,122
NZU (forestry – exportable)	129,100,000	8,193,518	-
NZU (other – not exportable)	24,538,412	5,490,138	8,996

Note: “Held in NZEUR” refers to all accounts in the NZEUR, including private and Crown accounts; “Held by the Crown” refers to units in the Crown accounts, including the surrender account, and “Transferred to cancellation accounts” refers to units that have been voluntarily cancelled by account holders.

16. How is the synthetic greenhouse gas levy set and what happens to the money?

The synthetic greenhouse gas (SGG) levy is set out in the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013, which defines which items are subject to the levy and what amount each SGG must pay. All money collected is paid to the Ministry for the Environment.

17. What amount of post-1989 forestry re-registration arbitrage has occurred?

Re-registration arbitrage is the practice of claiming New Zealand Units (NZUs) multiple times for the same year. During the forestry reporting period, post 1989 forestry participants are able to claim carbon stored in trees over that period. Participants then deregister and surrender lower-cost Kyoto units (e.g. ERUs) to meet their liability. They are then able to re-register and reclaim NZUs back to the beginning of the reporting period at a later date. Re-registration arbitrage is unique to post 1989 forestry participants and is a consequence of the voluntary nature of their participation in the Emissions Trading Scheme (ETS) as well as the ability to back claim NZUs within a reporting period.

The table on the following page provides information on post 1989 forestry participants that have engaged in re-registration arbitrage within the ETS during 2014. The table also details those participants that could potentially engage in re-registration arbitrage should they decide to re-register into the ETS at some point before the end of December 2017.

Table 2. Actual and potential re-registration arbitrage undertaken to date

	Number of participants	Net number of NZUs claimed since 1 January 2013	Total units Surrendered	Estimated number of NZUs that can be claimed again for the 2013 period
<p>Category 1 (actual re-registration arbitrage)</p> <p>These participants have claimed NZUs for the 2013 year then subsequently deregistered, paid back the liability then re-registered in 2014. This means they will be able to claim NZUs a second time for the carbon stock changes in the 2013 year. These participants have engaged in the deregistration process at least once prior to 15 May 2014.</p>	28	985,654	1,100,142	985,654
<p>Category 2 (potential re-registration arbitrage)</p> <p>These participants have claimed NZUs for the 2013 year and have then deregistered, paid back the liability and are currently not participants in the ETS. Should these participants re-register before the end of December 2017 they will be to claim NZUs a second time for the carbon stock changes in the 2013 year. Some of these participants had not previously deregistered meaning that they will have surrendered 6 years' worth of units (Jan 2008 – Dec 2013).</p>	346	2,550,265	8,520,089	2,550,265