

Questions and answers for the 2018 NZ ETS reports

8 August 2019

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 2002 (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 NZ ETS Report

Why does the information in the Annual ETS Report include data relating to reporting periods other than 2018/19?

Under the Act, the EPA must release information about the previous reporting year (1 July 2018 to 30 June 2019). This mostly includes information on activities reported during the 2018/19 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 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 2018 annual report are those that occurred in the 2018 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 CO₂e¹ removed, in Tables 6 and 6.1, 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 CO₂ removed.
- Table 6.1 shows the total tonnes of CO₂e removed by participants engaged in other removal activities (ORA). The figure is taken from the quarterly emission returns that were received in the reporting year and covers quarter 2, 3 and 4 of 2018 and quarter 1 of 2019.
- ORA participants were entitled to receive one NZU for every two tonnes of CO₂e removed for activity before 1 January 2017. For 2017 activity ORA participants were entitled to receive one unit for every 1.5 whole tonnes of removals and for 2018, activity participants were entitled to receive one unit for every 1.2 whole tonnes of removals. For activity occurring between 1 January 2019 and 31 December 2019, ORA participants are entitled to receive one unit for every one whole tonne of removals. This is a result of the phase out of the one-for-two measure.
- Table 9 shows the number of units transferred as allocations or entitlements between 1 July 2018 – 30 June 2019. It may include units transferred due to amendments or late submissions for entitlements from previous years that were transferred during this period.
- The difference between the tonnes of CO₂e removed in Tables 6 and 6.1 and the number of New Zealand Units transferred in Table 9 is due to phase out and late submissions or amendments.

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

The total emissions recorded were 72,502,665 tonnes of CO₂e and the net number of emission units surrendered was 33,477,464 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 1.5 tonnes of emissions needed to be surrendered and for activities during 2018 it was one emission unit for every 1.2 tonnes.

¹ CO₂e is used to account for the different global warming potency of the different greenhouse gases, and allows them to be reported consistently. Gases are converted to CO₂e using the amount of warming they would cause in the 100 years following emission, compared to the effect of CO₂ itself.

- 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 ETS Report not broken down into sectors?

The Annual 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 ETS Report relate to emission units?

The Act allows participants to meet their surrender obligations through surrendering New Zealand Units, paying money, or a combination of the two. A participant may satisfy their obligation to surrender units by using the Fixed Price Option (FPO) and paying \$25 for each unit they are liable to surrender into a Crown bank account. Participants with obligations or repayments arising from an amended return or default assessment are ineligible to use the FPO, as per section 178A of the Act.

In 2018, participants opted to pay a total of \$420,616,225 to surrender 16,824,649 emission units to meet their obligation.

In Table 11, why is there a significant increase in the total sum of money paid to the Crown instead of surrendering units to cover emissions from 2017/18 to 2018/19?

There was increased use of the FPO to meet surrender obligations this year, as the New Zealand Unit price reached closer to, or in excess of, \$25.

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 regulation 9 of the SGG Regulations.

Why is there a large difference in the synthetic greenhouse gas levy between the 2017/18 and 2018/19?

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. This means that the levy payable in 2018/2019 was larger than that of 2017/2018.

What happens to the money?

The SGG levy is collected by the New Zealand Customs Service and the New Zealand Transport Agency. All money collected is paid to a consolidated Crown account administered by the Ministry for the Environment.

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 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.

Our website has more information about our approach to compliance and enforcement:

[Compliance in the ETS](#)

[Enforcement and compliance](#)