

e-BRIEF

New Zealand's Emissions Trading Scheme

New Zealand's Emissions Trading Scheme has recently been confirmed and will take effect from 1 July 2010. There are implications for a wide range of MWH's clients, which may affect how they manage and develop their assets.

This e-brief is intended to help demystify the Emissions Trading Scheme and provide a straight forward summary of how you may be affected and the measures you can take to minimise risk and maximise opportunities under the scheme.

We have also prepared a simple chart which shows the organisations and activities that will be impacted by the ETS and what the likely impacts are. We encourage you to print and use this [useful reference guide](#). A chart summarising the reporting requirements has also been produced and is [available here](#).

CONTENTS

[Background](#)
[Key Changes](#)
[Reporting Requirements](#)
[How MWH Can Help](#)
[Contact Us](#)

Background

The Climate Change Response (Moderated Emissions Trading) Amendment Act 2009 came into being on 7 December 2009. It replaces the Climate Change Response (Emissions Trading) Amendment Act 2008, and amends the Climate Change Response Act 2002.

A number of regulations which provide further detail to the Act have been developed, and further regulations will be developed as required. The regulations that have been developed to date are:

- Climate Change (Forestry Sector) Regulations 2008 (SR 2008/355)
- Climate Change (Liquid Fossil Fuels) Regulations 2008 (SR 2008/356)
- Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (SR 2009/285)
- Climate Change (Other Removal Activities) Regulations 2009 (SR 2009/284)
- Climate Change (Unique Emissions Factors) Regulations 2009
- Climate Change (Unit Register) Regulations 2008 (SR 2008/357)
- Climate Change (General Exemptions) Order 2009 (SR 2009/370)
- Climate Change (Oceana Gold (New Zealand) Limited) Exemption Order 2009 (SR 2009/371)
- Climate Change (The New Zealand Refining Company Limited) Exemption Order 2009 (SR 2009/372)

The Emissions Trading Scheme (ETS) places a price on greenhouse gas emissions, encouraging a move to less carbon-intensive activities. It is a market-based approach where emission units (or carbon credits) are traded between participants in the scheme. Participants will buy or be given emission units, which are then surrendered to the Crown to meet scheme requirements. An emission unit is required for every tonne of greenhouse gas emitted.

Participants in the scheme comprise entities in the energy, industrial processes, liquid fossil fuels, waste, forestry, synthetic gases and agricultural sectors. The ETS specifies a number of activities and requires organisations or individuals undertaking these activities to participate in the scheme as 'mandatory participants'. Organisations or individuals carrying out a number of other specified activities may opt into the scheme as 'voluntary participants'. In general, the threshold for 'mandatory participation' in the ETS has been set at a high level in the supply chain, for example fuel supply rather than fuel use.

The ETS is intended to provide flexibility in how participants comply with their obligations, so that they can choose the least costly way to reduce their emissions. Emissions trading schemes are designed to operate within a cap on emissions, such as those agreed to by countries, like New Zealand, who have signed the Kyoto Protocol and made obligations to the Copenhagen Accord. By using emissions trading the market decides on the price of emission units.

Key Changes with the New Legislation

The key changes to the legislation are intended to minimise the costs to participants, provide more certainty on the carbon price, and to align the scheme with Australia's proposed Carbon Pollution Reduction Scheme.

The key amendments are:

- A transition phase will operate until December 2012 providing a reduced cost of participation.
- Allocation of free units to emissions-intensive, trade-exposed industry EITE (those industries that would be most impacted in terms of their competitiveness due to carbon price related cost increases).
- The phasing out of the allocation of free emission units is at a slower rate.
- The dates that sectors will enter the scheme have changed. The stationary energy sector (where energy is largely consumed for the production of electricity and/or for industrial heat), industrial processes and agricultural sectors have been delayed, and the liquid fossil fuels sector has been brought forward, with the timing of all other sectors unchanged.

[For more information on what these changes mean please click here.](#)

Reporting Requirements

Under the Act, mandatory participants are required to register in the scheme within 20 working days of becoming a participant, and voluntary participants can choose to register as a participant at any time. Once registered, all participants must follow the requirements of the Act and Regulations. Please [click here](#) for a flow chart summarising the actions required.

All participants must collect data and information on their greenhouse gas emissions and removals from the start of the mandatory reporting period. These records must be maintained for seven years, and for 20 years for an activity in the forestry sector. A number of regulations have been developed to provide further detail on aspects of the scheme. Some of these regulations prescribe the data and information that must be collected, and the calculation methodologies to be used, including the emission factors for different activities. Some participants may apply to use a unique emission factor for their activity, in place of the default emission factor.

[For more information on reporting requirements and the sectors and activities that are impacted please click here.](#)

How MWH Can Help

MWH offers a number of services to support clients participating in the ETS. If you are unsure whether you are, or will be, a mandatory participant in the ETS, or whether you should opt into the scheme, MWH can help you understand your obligations.

Only a small number of organisations will be directly affected by the ETS, but as it takes effect it will place an additional price on all carbon intensive activities and will alter the economics of many activities and businesses. MWH can help you assess your exposure to a price on carbon and can identify and implement measures to manage and reduce these costs.

[For more information on how MWH can help please click here.](#) To find out more about MWH's carbon management track record [click here](#).

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The government has also developed web based guidance for businesses participating in, or wanting to know more about, the ETS. You can visit this site at www.climatechange.govt.nz.