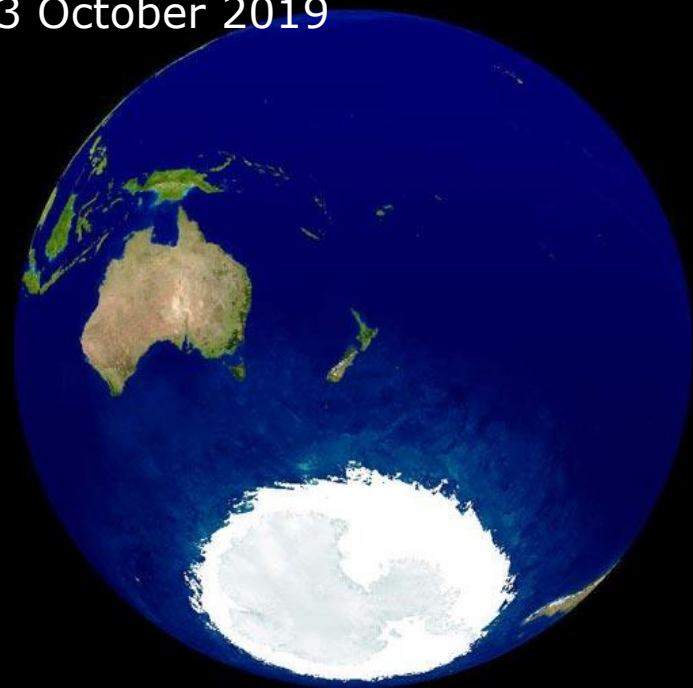


# New Zealand update: The role of carbon pricing in NDC implementation and economic transition

---

Presentation to IEA-IETA-EPRI Annual Workshop 3 October 2019  
Kay Harrison, Climate Change Ambassador



## Overview

---

- The New Zealand context
- What are we doing
- Where are we going



# Key messages

---

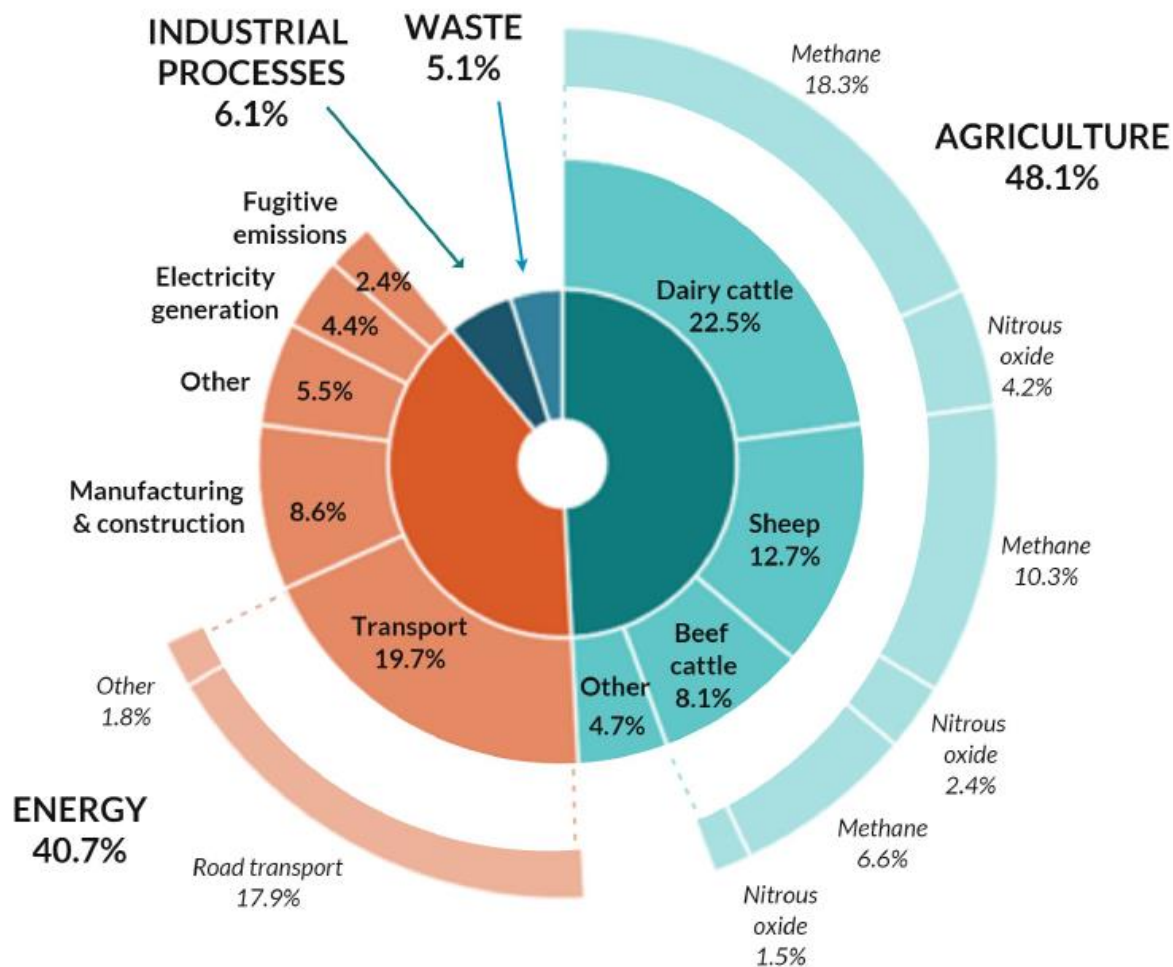
- The two goals of NDC implementation and economic transition (not just energy transition) are distinct but complementary
- Pricing is a part of both
- We are part way through an ambitious domestic programme to deliver these goals, including:
  - Improving our existing pricing instrument (the NZ ETS);
  - Strengthening our broader policy architecture; and
  - Considering what measures in addition to price are needed.

# The New Zealand context

---

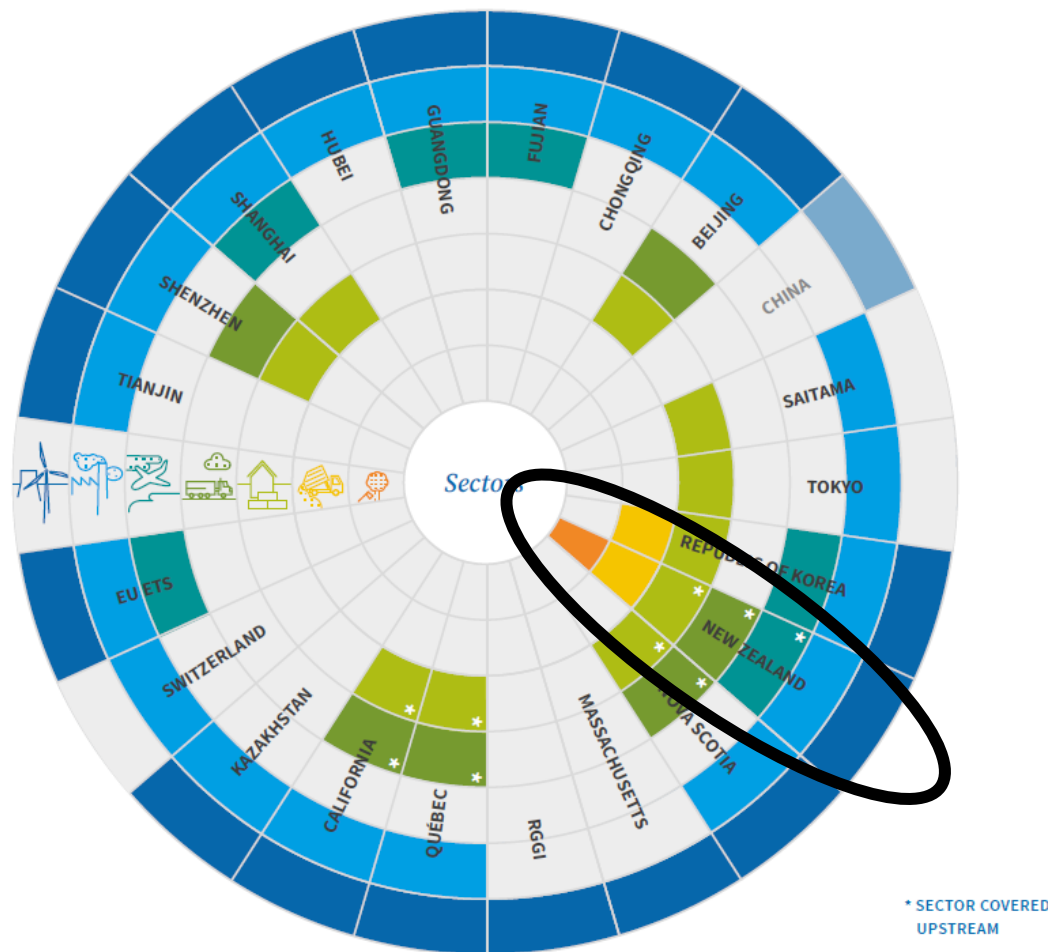


# New Zealand's emissions profile



# New Zealand's Emission Trading Scheme

- Second oldest scheme in world - in force since 2008
- Broadest sectoral coverage
- Large volume of small or medium sized participants



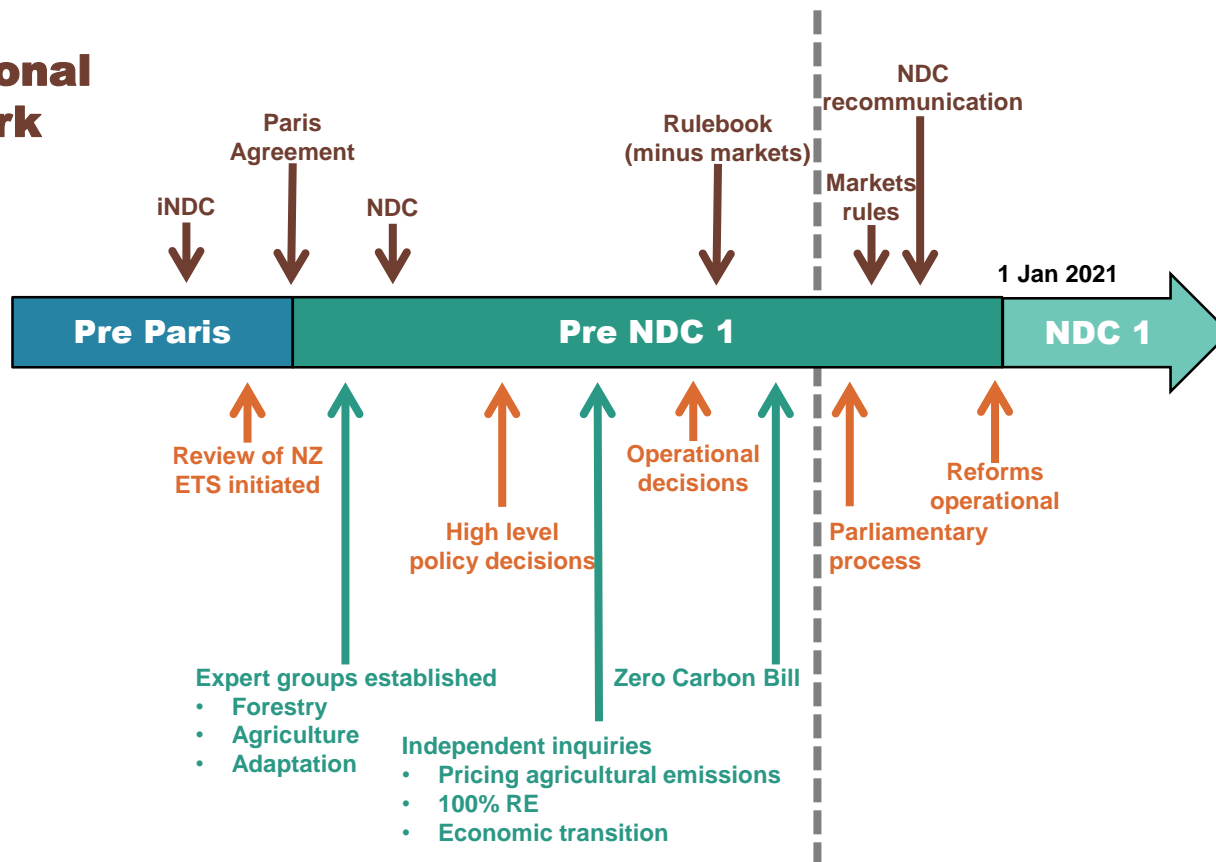
Source: ICAP 2019 Emissions Trading Worldwide

# The Paris Agreement and New Zealand's domestic policy

## International framework

## NZ ETS

## Broader policy



# What the international framework gives us...

---

The science and 1.5 degrees

+

NDC system (highest possible ambition and progression)

+

Contributions to be contextualised in long-term low emission development strategies



# Domestically, it's about **how**...

---

## How do we?..

- make our highest possible contribution to the global mitigation effort?
- transition our own economy in a just and inclusive way?
- build durable systems that deliver in the short, medium, and long term?

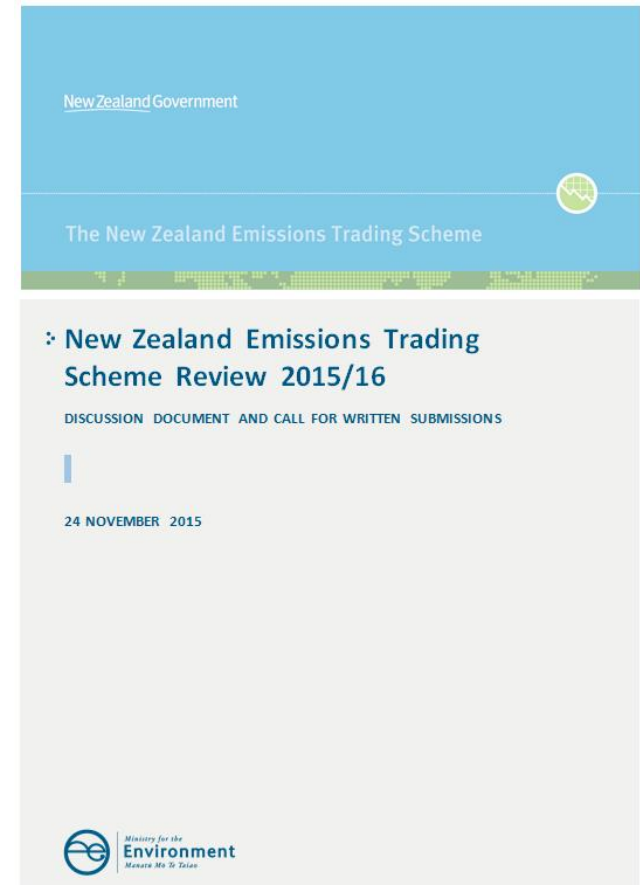
# What are we doing

---



# Improving the NZ ETS...

- Review of scheme began late 2015
  - Ensure effectiveness to 2020 and beyond, particularly regarding the, then anticipated, Paris Agreement
- Policy decisions 2016-19
- Parliamentary process to begin this year
- Implementation of reforms by 1 Jan 2021



# Improving the NZ ETS...

## key decisions

---

- Align scheme's cap with targets (NDC delivery and domestic transition) and improve predictability – including:
  - Rolling cap (annual extension of cap by one year)
  - Phase down free allocation to industry
  - Introduce auctioning
  - Move to a volume limited price ceiling (and requirement to back units with emissions reductions from elsewhere)
  - Quantitative limit on the use of offshore mitigation
- Improve operational aspects (forestry, compliance, etc.)

- 
- A large group of young people, mostly students, are gathered outdoors for a protest. They are holding up numerous handmade signs with various messages related to climate change and social justice. The signs include: "THERE'S NO PLANET B", "MESS WITH OUR CLIMATE", "IT'S WELL MESSED UP", "THE P. GOING TO S...", "NO ONE LOVES THE EARTH", "IS IN THE AIR", "SPEAK UP TAKE ACTION", "WE SPEAK FOR THE TREES", "It is late.... BUT Not too Late!!", "What I stand is wh I stand", "WHY AM I STUDYING FOR THE FUTURE THAT DOESN'T EXIST", "LEARN TO SWIM", and "IF YOU ARE NOT". The background shows palm trees and a tall clock tower.

# Strengthening our broader policy architecture...economic transition

---

- Cross-agency transition work programme
  - Increased capacity for policy modelling
  - Increased coordination – including on price and non-price or sector-specific measures
  - Increased focus on impacts of decisions on households, communities, industries and regions
- Greater transparency and accountability of government actions
  - A whole of government climate change action plan, including:
    - pricing, innovation, investment, laws and institutions, transition, land use, transport, electricity, heat, industry, waste, built environment
    - responsible Ministers, agencies, and timelines
  - Cross-agency climate change board of public sector chief executives

# Strengthening our broader policy architecture...agricultural emissions

- Building the evidence base:
  - Years of work on the measurement of agricultural emissions
  - Biological Emissions Reference Group (reported December 2018)
  - Inquiry by iCCC (reported April 2019)
- Public consultation concluded August 2019, proposals were:
  - To price livestock emissions at the farm level from 2025
  - To price fertiliser emissions at the processor level from 2025
  - Options for the interim: processor level pricing; a formal sector-government agreement



# Where are we going

---





# What does this mean for pricing?

## **Rolling NZ ETS cap (annually extended) contextualised by:**

- NDC system & domestic emissions budgeting
- Long term targets
- Advice of Commission

**Greater coordination of price and non-price (or sector specific) measures**

**Robust, effective and predictable NZ ETS deliberately aligned with both our NDC and economic transition objectives**

**Potential inclusion of livestock and fertiliser emissions** (and at what point of regulation)

**A scheme that enables the option of access to offshore mitigation** (if this makes sense in the context of both our NDC and transition goals)

# Any questions?

---

