

Carbon Monitor

Volume 11 Issue 1

February 2006

New Zealand Government in CDM Market

The New Zealand Treasury is the principal economic adviser to the New Zealand Minister of Finance, and to the New Zealand Government.

The Treasury is seeking to explore options for using the Kyoto Flexible Mechanisms to acquire emission units, through both JI and CDM, as part of New Zealand's strategy to meet its Kyoto commitments.

The New Zealand Government has not yet taken a decision to purchase units as part of its climate change policies. Rather the Treasury is seeking to explore purchasing options now, should the Government take such a decision in the immediate future.

Carbon Tax Abandoned

Minister Responsible for Climate Change Issues David Parker announced the government is not proceeding with its [proposed carbon tax](#) and will instead consider other ways to ensure New Zealand meets its commitments to cut greenhouse gas emissions.

"The government has decided not to implement a carbon tax, or any other broad based tax, in the first commitment period under the [Kyoto Protocol](#). Officials now advise that the proposed carbon tax would not cut emissions enough to justify its introduction.

"[New Zealand is committed](#) to meeting our [international obligations under Kyoto](#) and achieving our domestic goal of lowering emissions. The government takes seriously the threat that human-induced climate change poses to our environment, economy, and way of life. We have an obligation to do something about it, and we will."

The decision not to implement the carbon tax follows a [whole of government review of climate change policy](#), which the government called for in June. Mr Parker released the 460-page review. The government has asked officials to undertake further policy work, in consultation with stakeholders. This is due to be reported back to ministers in March.

"Many of [our current policies](#) were developed in the 1990s. Since then, New Zealand's economy has boomed, petrol prices have risen and other factors, such as [falling log prices](#), have changed our situation.

"It is important that we modify climate change policies in light of this. They need to be fair to everyone, from residential consumers and small businesses to major energy users and power generators.

"It is a complex area and all countries are facing increasing costs and risks of climate change such as more flooding and droughts. As a country dependent on agriculture, we are particularly vulnerable."

Mr Parker said some parts of New Zealand's climate change policy, such as [Projects to Reduce Emissions](#) (PREs), have been successful. Due to PREs, we now have the lowest-cost wind generation in the world. This is a significant achievement and we need to build on this," Mr Parker said.

"The review also highlighted some forestry, land use and agriculture policies that need refinement to ensure they help cut emissions. Other policies linked to the carbon tax, such as [Negotiated Greenhouse Agreements](#) for major energy users and emitters, are likely to be retained in some form.

Mr Parker said some areas that officials would report back on in March include:

- Incentivising investment in renewable energy
- [Encouraging new tree planting and reducing deforestation](#)
- Improving fuel efficiency of the transport fleet
- Assessing options for a narrow-based carbon tax on major energy users and emitters who do not meet world best practice

- Improving energy efficiency and conservation.

Mr Parker said the agriculture sector, which accounts for approximately 50 per cent of New Zealand's emissions, would be protected from any broad-based price measure. It is anticipated that some of the money saved by the sector will be reinvested in research and development.

www.climatechange.govt.nz

EU Market Prices Firm

Recent trading saw the EU allowance prices move up sharply. www.pointcarbon.com

Overall the market seems to be moved up from its past trading range between 19 and 24 Euro to touch 27 Euro.



Business Purchase Carbon Credits

Recent businesses to purchase carbon credits according to Landcare Research most recent newsletter include the following:

- Toyota NZ (offsetting their national operations)
- South Pacific Pictures (offsetting the company's administration activities and the production of *Shortland Street*)
- YHA (offsetting about 40% of their total emissions from their hostel network and head office)
- Tourism Industry Association New Zealand (offsetting their annual Tourism Industry Conference)
<http://www.tianz.org.nz/Files/MR0905confcarbonneutral.pdf>

California Assesses Cost of Achieving Emission Reductions

The Center for Clean Air Policy released a report on California's costs to implement a range of greenhouse gas (GHG) emission reduction and sequestration measures in the agriculture/forestry, cement, methane, transportation and high global warming potential (GWP) sectors. This report,

Carbon Monitor

financed by the Richard & Rhoda Goldman Fund, the Rockefeller Brothers Fund and the Energy Foundation, with additional support from the California Energy Commission, found that the GHG targets announced by Governor Schwarzenegger on June 1, 2005 can likely be met at no net cost to consumers.

Combining cost-effective measures analysed by the Center with measures already underway in California will achieve a total reduction of 51 MMTCO₂e in 2010—88 percent of the estimated 58 MMTCO₂e reduction required to meet the 2010 GHG target. For 2020, measures analysed by CCAP combined with measures already underway in California can achieve a total of 125 MMTCO₂e out of an expected emission reduction requirement of 145 MMTCO₂e. Additional cost-effective reductions that are expected to be available in the oil refining and power sectors should assure achievement of the target.

On an average basis, the reductions identified by CCAP are expected to cost \$5.25 per ton in 2010 and \$5.77 per ton in 2020. After accounting for the cost savings expected from the vehicle GHG standards and energy efficiency programs already underway in California, the net cost to consumers is expected to be zero.

www.ccap.org

Contact Details

Terry Quilty ph 64 21 310 430
fax 64 9 920 1093
email terry.quilty@eitg.co.nz

Richard Hayes ph 64 21 310 301
fax 64 9 920 1093
email richard.hayes@eitg.co.nz

Simon Baillieu ph 27 82 558 9616
email simon.baillieu@eitg.co.nz

'Carbon Monitor' is a client service of EITG. EITG develops, facilitates and engineers Carbon Mitigation projects and strategies.

EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG is part of an international consortium with representation in Asia/Pacific, USA and South Africa. Portions © 2005 Environmental Intermediaries & Trading Group Limited all rights reserved

www.eitg.co.nz

