

Legislative evolution of the New Zealand Emissions Trading Scheme

Catherine Leining, Motu Economic and Public Policy Research (April 2016)

Note: The colour coding reflects the origin of the provisions that applied at each stage of legislation.

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
General provisions					
Purpose of the NZ ETS	"That a New Zealand Emissions Trading Scheme support and encourage global efforts to reduce GHG emissions by: * reducing New Zealand's net emissions below business-as-usual levels; and * complying with our international obligations, including our Kyoto Protocol obligations; while maintaining economic flexibility, equity, and environmental integrity at least cost in the long term".	"The purpose of this Act is to...provide for the implementation, operation, and administration of a greenhouse gas emissions trading scheme in New Zealand that supports and encourages global efforts to reduce greenhouse gas emissions by assisting New Zealand to meet its international obligations under the Convention and the Protocol, and by reducing New Zealand's net emissions below business-as-usual levels".	"The purpose of this Act is to...provide for the implementation, operation, and administration of a greenhouse gas emissions trading scheme in New Zealand that supports and encourages global efforts to reduce the emission of greenhouse gases by— (i) assisting New Zealand to meet its international obligations under the Convention and the Protocol; and (ii) reducing New Zealand's net emissions of those gases to below business-as-usual levels".	"The purpose of this Act is to...provide for the implementation, operation, and administration of a greenhouse gas emissions trading scheme in New Zealand that supports and encourages global efforts to reduce the emission of greenhouse gases by— (i) assisting New Zealand to meet its international obligations under the Convention and the Protocol; and (ii) reducing New Zealand's net emissions of those gases to below business-as-usual levels".	NA
Domestic unit	New Zealand Unit (NZU) equal to 1 tonne of CO ₂ eq. Each NZU is to be backed by a Kyoto unit held in the NZEUR.	New Zealand Unit (NZU) equal to 1 tonne of CO ₂ eq. Each NZU is to be backed by a Kyoto unit held in the NZEUR.	New Zealand Unit (NZU) equal to 1 tonne of CO ₂ eq. Each NZU is to be backed by a Kyoto unit held in the NZEUR.	New Zealand Unit (NZU) equal to 1 tonne of CO ₂ eq. No requirement to back NZUs with Kyoto units (change applied retrospectively to 2008-2012).	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Cap on domestic emissions	No constraint on domestic emissions. NZ ETS to operate within the international Kyoto cap.	No constraint on domestic emissions. NZ ETS to operate within the international Kyoto cap.	No constraint on domestic emissions. NZ ETS to operate within the international Kyoto cap.	No constraint on domestic emissions. NZ ETS to operate within the international Kyoto cap. Explicit power for the government to cap the sum of future auctioning (if any) plus free allocation and units for Negotiated Greenhouse Agreements (NGAs). The cap would not constrain free allocation, NGA units or units issued under the \$25 price cap. Not yet applied as of 2016.	NA
Method of unit allocation	Free allocation and sale (most likely auction).	Free allocation. No explicit auction; Minister already held power to sell units under CCRA 2002.	Free allocation. No explicit auction; Minister already held power to sell units under CCRA 2002.	Free allocation. Explicit power for the government to auction units. Not yet applied as of 2016.	NA
NZU issuance for removals	Option to receive NZUs for post-1989 afforestation with liabilities for future reversal. Mention of potential to credit carbon-capture-and-storage (CCS) activities through offsets.	Option to receive NZUs for post-1989 afforestation with liabilities for future reversal. Industrial producers and firms exporting or destroying synthetic GHGs or exporting carbon-containing products (e.g. methanol and LPG) could apply to receive NZUs for removals. Option for future regulation to enable crediting of removals by CCS.	Option to receive NZUs for post-1989 afforestation with liabilities for future reversal. Industrial producers and firms exporting or destroying synthetic GHGs could opt in to receive NZUs for removals. Option for future regulation to enable crediting of removals by CCS.	Option to receive NZUs for post-1989 afforestation with liabilities for future reversal. Industrial producers and firms exporting or destroying synthetic GHGs could opt in to receive NZUs for removals. Option for future regulation to enable crediting of removals by CCS.	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Price control	No price cap or price floor but recommendation for legislation to provide government power to introduce a price cap if needed in the future.	No price cap or price floor.	Price cap of NZ\$25 per tonne for 2008-2012.	Price cap of NZ\$25 per tonne extended indefinitely.	NA
Unit banking (carry-over) and borrowing	Banking but not borrowing allowed across compliance periods.	<p>Banking across compliance periods except for overseas AAUs issued in the first commitment period.</p> <p>No borrowing. Recipients of free allocation could surrender units from the current year's free allocation to meet obligations from the previous year if received before the surrender date.</p>	<p>Banking across compliance periods except for overseas AAUs issued in the first commitment period.</p> <p>No borrowing. Recipients of free allocation could surrender units from the current year's free allocation to meet obligations from the previous year if received before the surrender date.</p>	<p>Banking across compliance periods except for overseas AAUs issued in the first commitment period.</p> <p>No borrowing. Recipients of free allocation could surrender units from the current year's free allocation to meet obligations from the previous year if received before the surrender date.</p> <p><i>Under subsequent regulations, the government banned the carry-over and surrender of non-NZ Kyoto units after 31 May 2015.</i></p>	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
International buy linkage	<p>Buy linkage with the Kyoto market subject to some restrictions on unit sources (e.g. nuclear CERs/ERUs, tCERs and ICERs) but not unit quantities.</p> <p>Power for government to further restrict sources of CERs and ERUs.</p> <p>Potential for bilateral ETS linkages noted.</p>	<p>Buy linkage with the Kyoto market subject to some restrictions on unit sources (e.g. nuclear CERs/ERUs, tCERs and ICERs) but not unit quantities. Exclusion of imported AAUs unless subsequently provided in regulation.</p> <p>Power for government to approve or restrict use of overseas units.</p>	<p>Buy linkage with the Kyoto market subject to some restrictions on unit sources (e.g. nuclear CERs/ERUs, tCERs and ICERs) but not unit quantities. Exclusion of imported AAUs unless subsequently provided in regulation.</p> <p>Power for government to approve or restrict use of overseas units.</p> <p><i>Under subsequent regulations, the government banned the surrender of CERs from industrial gas destruction projects as of December 2011.</i></p>	<p>Buy linkage with the Kyoto market subject to some restrictions on unit sources (e.g. nuclear CERs/ERUs, tCERs and ICERs) but not unit quantities. Exclusion of imported AAUs unless subsequently provided in regulation.</p> <p>Power for government to approve or restrict use of overseas units.</p> <p><i>Under subsequent regulations, the government banned the surrender of ERUs from industrial gas destruction projects (adding to the previous ban on CERs from such projects) and CERs/ERUs from large hydro projects as of December 2012.</i></p> <p><i>Under subsequent regulations, the government banned the surrender of overseas Kyoto units as of 1 June 2015.</i></p>	<p>Post-1989 forest participants could only apply NZUs (not overseas Kyoto units) to meet unit liabilities associated with deregistering from the NZ ETS.</p>
International sell linkage	<p>Sell linkage with the Kyoto market with no limits on exports of NZUs via exchange with Kyoto units (subject to the Kyoto Commitment Period Reserve).</p>	<p>Sell linkage with the Kyoto market with no limits on exports of NZUs via exchange with Kyoto units (subject to the Kyoto Commitment Period Reserve).</p>	<p>Sell linkage with the Kyoto market restricted to forestry NZUs during the period 1 July 2010 to 31 May 2013 (subject to the Kyoto Commitment Period Reserve).</p>	<p>Sell linkage with the Kyoto market restricted to forestry units indefinitely (subject to the Kyoto Commitment Period Reserve).</p>	

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Penalties for non-compliance	<p>Failure to surrender emission units would result in a requirement to surrender those units plus a financial penalty per unit.</p> <p>Failure to meet other obligations would incur a civil penalty. If done knowingly, participants would face criminal penalties, including larger fines, and personal criminal conviction.</p>	<p>Failure to surrender emission units would result in a requirement to surrender those units plus a financial penalty per unit.</p> <p>Failure to comply with data collection, record-keeping, reporting, registration or notification requirements would carry a fine. Knowingly providing false information would carry a larger fine and/or a prison term.</p>	<p>Failure to surrender emission units would result in a requirement to surrender those units plus a financial penalty per unit.</p> <p>Failure to comply with data collection, record-keeping, reporting, registration or notification requirements would carry a fine. Knowingly providing false information would carry a larger fine and/or a prison term.</p>	<p>Failure to surrender emission units would result in a requirement to surrender those units plus a financial penalty per unit.</p> <p>Failure to comply with data collection, record-keeping, reporting, registration or notification requirements would carry a fine. Knowingly providing false information would carry a larger fine and/or a prison term.</p>	NA
Review	Regular mandatory policy review to be concluded no later than 9 months before the end of each commitment period. Government to consult on terms of reference for the review.	Mandatory review to be completed to later than 12 months before the end of each commitment period or subsequent 5-year period. Some elements of review specified in legislation. The Minister must appoint a review panel to conduct the review.	Mandatory review to be completed to later than 12 months before the end of each commitment period or subsequent 5-year period. Modification to elements of review specified in legislation. The Minister must appoint a review panel to conduct the review.	Review changed from mandatory to optional. No specification of elements to be reviewed. Appointment of a review panel changed from mandatory to optional.	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Sectoral provisions					
Forestry					
Covered sources	<p>Deforestation of pre-1990 forest land with <i>de minimis</i> exemptions.</p> <p>Option to receive credits and liabilities for post-1989 afforestation.</p> <p>Open whether to include indigenous forest land.</p>	<p>Deforestation of pre-1990 forest land with <i>de minimis</i> exemptions.</p> <p>Option to receive credits and liabilities for post-1989 afforestation.</p> <p>Old-growth indigenous forest that remains forest is not subject to the NZ ETS.</p>	<p>Deforestation of pre-1990 forest land with <i>de minimis</i> exemptions.</p> <p>Option to receive credits and liabilities for post-1989 afforestation.</p> <p>Old-growth indigenous forest that remains forest is not subject to the NZ ETS.</p>	<p>Deforestation of pre-1990 forest land with <i>de minimis</i> exemptions.</p> <p>Option to receive credits and liabilities for post-1989 afforestation.</p> <p>Old-growth indigenous forest that remains forest is not subject to the NZ ETS.</p> <p>Introduction of forest offsetting: no deforestation liabilities apply if a new carbon-equivalent forest is planted elsewhere.</p>	
Point of obligation	Landowner with the possibility for transfer to the forest rights holder.	Landowner with the possibility for transfer to the forest rights holder.	Landowner with the possibility for transfer to the forest rights holder.	Landowner with the possibility for transfer to the forest rights holder.	NA
Unit obligation	1 unit per 1 tonne of CO ₂ .	1 unit per 1 tonne of CO ₂ .	1 unit per 1 tonne of CO ₂ .	1 unit per 1 tonne of CO ₂ .	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Free allocation	For 2008-2012, fixed pool of 21 Mt CO ₂ for pre-1990 plantation forest. From 2013, fixed pool of 34 Mt CO ₂ eq for pre-1990 plantation forest. Allocation pool reduced to cover exemptions from deforestation liabilities.	<p>For 2008-2012, fixed pool of 21 Mt CO₂ for pre-1990 plantation forest. From 2013, fixed pool of 34 Mt CO₂eq for pre-1990 plantation forest. Allocation pool reduced to cover exemptions from deforestation liabilities.</p> <p>Specific per-hectare allocations defined for: (a) owners of pre-1990 forests bought before 1 November 2002 (60 NZUs/ha); (b) owners who bought their pre-1990 forest on or after 1 November 2002 (39 NZUs/ha); and (c) future Treaty claimants who receive Crown Forest Licence land (18 NZUs/ha).</p>	<p>Specific per-hectare allocations defined for: (a) owners of pre-1990 forests bought before 1 November 2002 (60 NZUs/ha); (b) owners who bought their pre-1990 forest on or after 1 November 2002 (39 NZUs/ha); and (c) future Treaty claimants who receive Crown Forest Licence land (18 NZUs/ha).</p> <p>Specified split in free allocation received pre-2013 and post-2013.</p>	<p>Specific per-hectare allocations defined for: (a) owners of pre-1990 forests bought before 1 November 2002 (60 NZUs/ha); (b) owners who bought their pre-1990 forest on or after 1 November 2002 (39 NZUs/ha); and (c) future Treaty claimants who receive Crown Forest Licence land (18 NZUs/ha).</p> <p>Specified split in free allocation received pre-2013 and post-2013.</p> <p>Withdrew post-2013 free allocation for pre-1990 forest owners participating in forest offsetting.</p>	NA
Start date for emission reporting	Mandatory: 1 January 2008	Mandatory: 1 January 2008	Mandatory: 1 January 2008	Mandatory: 1 January 2008	NA
Start date for unit liabilities/removal credits	1 January 2008	1 January 2008	1 January 2008	1 January 2008	NA
First surrender date for units	31 March 2010	30 April 2011	31 May 2011	31 May 2011	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Liquid fossil fuels					
Covered sources	Liquid fossil fuels with exemptions for any fuel exported or intended for use on international trips.	Obligation fuel (above a threshold); exemption for exports and international bunker fuel.	Obligation fuel (above a threshold); exemption for exports and international bunker fuel.	Obligation fuel (above a threshold); exemption for exports and international bunker fuel.	NA
Point of obligation	Upstream obligation at point of removal from a refinery or importation of refined oil products.	Upstream: Owner of obligation fuel at the time the obligation fuel is removed for home consumption or otherwise removed from a refinery, other than for export. Large users of obligation jet fuel could opt in as points of obligation, with a carve-out of the upstream obligation.	Upstream: Owner of obligation fuel at the time the obligation fuel is removed for home consumption or otherwise removed from a refinery, other than for export. Large users of obligation jet fuel could opt in as points of obligation, with a carve-out of the upstream obligation.	Upstream: Owner of obligation fuel at the time the obligation fuel is removed for home consumption or otherwise removed from a refinery, other than for export. Large users of any obligation fuel could opt in as points of obligation, with a carve-out of the upstream obligation.	
Unit obligation	1 unit per 1 tonne of CO ₂ eq.	1 unit per 1 tonne of CO ₂ eq.	1 unit per 2 tonnes of CO ₂ eq to apply through 31 December 2012; then 1 unit per 1 tonne of CO ₂ eq from 2013.	1 unit per 2 tonnes of CO ₂ eq to apply indefinitely.	NA
Free allocation	None to fossil fuel producers.	None to fossil fuel producers.	None to fossil fuel producers.	None to fossil fuel producers.	NA
Start date for emission reporting	Mandatory: 1 January 2009	Voluntary: 1 January 2009 Mandatory: 1 January 2010	Mandatory: 1 January 2010	Mandatory: 1 January 2010	NA
Start date for unit liabilities	1 January 2009	1 January 2011	1 July 2010	1 July 2010	NA
First surrender date for units	31 March 2010	30 April 2012	31 May 2011	31 May 2011	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Stationary energy					
Covered sources ⁱ	Coal, natural gas and geothermal energy with exemptions for: <ul style="list-style-type: none"> • exports • venting or flaring of coal-seam methane • CCS • sales to downstream firms with obligations • sales for non-fuel uses where the product is exported (eg, methanol feedstock) • sales for non-fuel uses (eg, urea feedstock) where the emissions from the final product are not yet (or will not be) covered by the ETS. 	<ul style="list-style-type: none"> • Coal (>2,000 tonnes per year for mining and importing; >10000 tonnes of peat per year for mining peat). • Natural gas (>10,000 litres per year for imports, no mining threshold, and exemption for exports). • Using geothermal fluid to generate electricity or industrial heat (>4,000 tonnes of emissions per year). • Refining petroleum where the refining involves the use of intermediate crude oil products (for example, refinery fuels and gases) for energy or feedstock purposes. • Combusting used oil, waste oil, used tyres, or waste to generate electricity or industrial heat (>1,500 tonnes of used or waste oil per year). 	<ul style="list-style-type: none"> • Coal (>2,000 tonnes per year for mining and importing; >10000 tonnes of peat per year for mining peat). • Natural gas (>10,000 litres per year for imports, no mining threshold, and exemption for exports). • Using geothermal fluid to generate electricity or industrial heat (>4,000 tonnes of emissions per year). • Refining petroleum where the refining involves the use of intermediate crude oil products (for example, refinery fuels and gases) for energy or feedstock purposes. • Combusting used oil, waste oil, used tyres, or waste to generate electricity or industrial heat (>1,500 tonnes of used or waste oil per year). 	<ul style="list-style-type: none"> • Coal (>2,000 tonnes per year for mining and importing; >10000 tonnes of peat per year for mining peat). • Natural gas (>10,000 litres per year for imports, no mining threshold, and exemption for exports). • Using geothermal fluid to generate electricity or industrial heat (>4,000 tonnes of emissions per year). • Refining petroleum where the refining involves the use of intermediate crude oil products (for example, refinery fuels and gases) for energy or feedstock purposes. • Combusting used oil, waste oil, used tyres, or waste to generate electricity or industrial heat (>1,500 tonnes of used or waste oil per year). • (After January 2014) Using crude oil or other liquid hydrocarbons (other than obligation fuel or as specified) where any prescribed threshold is met (>1,500 tonnes per year). 	

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Point of obligation	Open to upstream obligation or combination of upstream and midstream obligations.	Upstream obligation (point of fuel production or import). Large users of coal and natural gas could opt in as points of obligation, with a carve-out of the upstream obligation.	Upstream obligation (point of fuel production or import). Large users of coal and natural gas could opt in as points of obligation, with a carve-out of the upstream obligation.	Upstream obligation (point of fuel production or import). Large users of coal and natural gas could opt in as points of obligation, with a carve-out of the upstream obligation.	
Unit obligation	1 unit per 1 tonne of CO ₂ eq (would consider a progressive obligation).	1 unit per 1 tonne of CO ₂ eq.	1 unit per 2 tonnes of CO ₂ eq to apply through 31 December 2012; then 1 unit per 1 tonne of CO ₂ eq from 2013.	1 unit per 2 tonnes of CO ₂ eq to apply indefinitely.	NA
Free allocation	No free allocation to fossil fuel producers or electricity generators.	No free allocation to fossil fuel producers or electricity generators.	No free allocation to fossil fuel producers or electricity generators.	No free allocation to fossil fuel producers or electricity generators.	NA
Start date for emission reporting	Mandatory: 1 January 2010	Mandatory: 1 January 2010	Mandatory: 1 January 2010	Mandatory: 1 January 2010	NA
Start date for unit liabilities	1 January 2010	1 January 2010	1 July 2010	1 July 2010	NA
First surrender date for units	31 March 2011	30 April 2011	31 May 2011	31 May 2011	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Industrial processes and synthetic gases					
Covered sources ¹	<p>Production of steel, aluminium, cement, burnt lime, glass, gold and paper (note that production of urea, hydrogen, ammonia and methanol is covered in the stationary energy sector).</p> <p>Lime fertiliser production.</p> <p>Loss of inert synthetic gases.</p>	<p><i>Industrial processes:</i> Production of:</p> <ul style="list-style-type: none"> iron or steel (>100 tonnes of carbon per year). aluminium (with anode carbon and anode effects). clinker or burnt lime, resulting in calcination of limestone, or calcium carbonates. glass using soda ash. gold (>5,000 tonnes of emissions per year). cable using a nitrogen cure process. <p><i>Synthetic gases:</i></p> <ul style="list-style-type: none"> Imported or manufactured SF₆, HFCs and PFCs (other than in aluminium production), including in goods with some exemptions. 	<p><i>Industrial processes:</i> Production of:</p> <ul style="list-style-type: none"> iron or steel (>100 tonnes of carbon per year). aluminium (with anode carbon and anode effects). clinker or burnt lime, resulting in calcination of limestone, or calcium carbonates. glass using soda ash. gold (>5,000 tonnes of emissions per year). cable using a nitrogen cure process. <p><i>Synthetic gases:</i></p> <ul style="list-style-type: none"> Imported or manufactured SF₆, HFCs and PFCs (other than in aluminium production), including in goods with some exemptions. 	<p><i>Industrial processes:</i> Production of:</p> <ul style="list-style-type: none"> iron or steel (>100 tonnes of carbon per year). aluminium (with anode carbon and anode effects). clinker or burnt lime, resulting in calcination of limestone, or calcium carbonates. glass using soda ash. gold (>5,000 tonnes of emissions per year). Cable using a nitrogen cure process. <p><i>Synthetic gases:</i></p> <ul style="list-style-type: none"> Operating electrical switchgear that uses SF₆ (>1 tonne of SF₆ contained in electrical switchgear) Imported HFCs and PFCs, except when contained in goods (subject to a separate levy). Manufactured SF₆, HFCs or PFCs (other than in aluminium production). 	
Point of obligation	Point of production (or import for synthetic gases).	Point of production (or import for synthetic gases).	Point of production (or import for synthetic gases).	Point of production (or import/ operation for synthetic gases).	

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Unit obligation	1 unit per 1 tonne of CO ₂ eq (would consider a progressive obligation).	1 unit per 1 tonne of CO ₂ eq.	1 unit per 2 tonnes of CO ₂ eq to apply through 31 December 2012; then 1 unit per 1 tonne of CO ₂ eq from 2013.	1 unit per 2 tonnes of CO ₂ eq to apply indefinitely.	NA
Free allocation	<p>Fixed pool to eligible trade-exposed producers equal to 90% of 2005 emissions. No additional allocation for new entrants.</p> <p>Covers both direct emissions (excluding land transport fuels) and indirect emissions from electricity consumption.</p> <p>Phased out at a linear rate from 2013-2025 (zero by 2025).</p>	<p>Fixed pool to eligible trade-exposed producers equal to 90% of 2005 emissions. No additional allocation for new entrants.</p> <p>Covers both direct emissions (coal, natural gas, geothermal steam, and used or waste oil; excluding liquid fossil fuels) and indirect emissions from electricity consumption.</p> <p>Phased out at a linear rate over 2019-2029 (zero by 2030).</p>	<p>Output-based free allocation to eligible trade-exposed producers applied at two levels: 0.9 times an activity-specific allocative baseline for highly emissions-intensive firms, and 0.6 times an activity-specific allocative baseline for moderately emissions-intensive firms.</p> <p>Covers both direct emissions (coal, natural gas, geothermal steam, and used or waste oil; excluding liquid fossil fuels) and indirect emissions from electricity consumption.</p> <p>Under the one-for-two progressive obligation, free allocation is similarly halved.</p> <p>Free allocation phased out at 1.3% of the previous year's amount starting in 2013.</p>	<p>Output-based free allocation to eligible trade-exposed producers applied at two levels: 0.9 times an activity-specific allocative baseline for highly emissions-intensive firms, and 0.6 times an activity-specific allocative baseline for moderately emissions-intensive firms.</p> <p>Covers both direct emissions (coal, natural gas, geothermal steam, and used or waste oil; excluding liquid fossil fuels) and indirect emissions from electricity consumption. Free allocation extended to cover emissions from coal seam methane and use of liquid fossil fuels for stationary energy.</p> <p>Under the one-for-two progressive obligation, free allocation is similarly halved.</p> <p>Once full unit obligations apply, free allocation to be phased out by reducing the level of assistance in the previous year by 0.01.</p>	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Start date for emission reporting	Mandatory: 1 January 2010	Mandatory: 1 January 2010	Mandatory: 1 January 2010	Mandatory: 1 January 2010	NA
Start date for unit liabilities/removal credits	1 January 2010	Industrial processes: 1 January 2010 Synthetic gases: 1 January 2013	Industrial processes: 1 July 2010 Synthetic gases: 1 January 2013	Industrial processes: 1 July 2010 Synthetic gases: 1 January 2013	NA
First surrender date for units	31 March 2011	Industrial processes: 30 April 2011 Synthetic gases: 30 April 2014	Industrial processes: 31 May 2011 Synthetic gases: 31 May 2014	Industrial processes: 31 May 2011 Synthetic gases: 31 May 2014	NA
Waste					
Covered sources	Solid waste likely to contain an organic component deposited at a landfill.	Solid waste likely to contain an organic component deposited at a landfill.	Solid waste likely to contain an organic component deposited at a landfill.	Solid waste likely to contain an organic component deposited at a landfill.	NA
Point of obligation	Landfill operator.	Landfill operator.	Landfill operator.	Landfill operator.	NA
Unit obligation	1 unit per 1 tonne of CO ₂ eq.	1 unit per 1 tonne of CO ₂ eq.	1 unit per 1 tonne of CO ₂ eq.	1 unit per 2 tonnes of CO ₂ eq to apply indefinitely.	NA
Free allocation	None	None	None	None	NA
Start date for emission reporting	Mandatory: 1 January 2013 (possibility of early reporting)	Voluntary: 1 January 2011 Mandatory: 1 January 2012	Voluntary: 1 January 2011 Mandatory: 1 January 2012	Voluntary: 1 January 2011 Mandatory: 1 January 2012	NA
Start date for unit liabilities	1 January 2013	1 January 2013	1 January 2013	1 January 2013	NA
First surrender date for units	31 March 2014	30 April 2014	31 May 2014	31 May 2014	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Agriculture					
Covered sources	Synthetic fertiliser use. Enteric fermentation and manure management.	Synthetic fertiliser containing nitrogen. Ruminant animals, pigs, horses, or poultry.	Synthetic fertiliser containing nitrogen. Ruminant animals, pigs, horses, or poultry.	Synthetic fertiliser containing nitrogen. Ruminant animals, pigs, horses, or poultry.	NA
Point of obligation ¹	Synthetic fertiliser use: Sale of nitrogenous fertilisers. Enteric fermentation and manure management: (a) Probable: processing of meat and dairy products (b) Possible: farming activity.	Default option for fertiliser: Processor (point of import or manufacture) (>1 tonne of synthetic fertilisers per year). Alternative for fertiliser (by Order in Council): Purchaser. Default option for animals: Processor (point of slaughter or dairy processing). Alternative for animals (by Order in Council): Farmer.	Default option for fertiliser: Processor (point of import or manufacture) (>1 tonne of synthetic fertilisers per year). Alternative for fertiliser (by Order in Council): Purchaser for application to land. Default option for animals: Processor (point of slaughter or dairy processing; exporting from New Zealand live cattle (>20 cattle per year), sheep (>20 sheep per year), or pigs (>20 pigs per year); producing eggs). Alternative for animals (by Order in Council): Farmer.	Default option for fertiliser: Processor (point of import or manufacture) (>1 tonne of synthetic fertilisers per year). Alternative for fertiliser (by Order in Council): Purchaser for application to land. Default option for animals: Processor (point of slaughter or dairy processing exporting from New Zealand live cattle (>20 cattle per year), sheep (>20 sheep per year), or pigs (>20 pigs per year) producing eggs). Alternative for animals (by Order in Council): Farmer.	NA

Design feature	Framework for a New Zealand Emissions Trading Scheme (Consultation document) 2007	Climate Change Response (Emissions Trading) Amendment Act 2008	Climate Change Response (Moderated Emissions Trading) Amendment Act 2009	Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012	Climate Change Response (Unit Restriction) Amendment Act 2014
Unit obligation	1 unit per 1 tonne of CO ₂ eq; (would consider a progressive obligation).	1 unit per 1 tonne of CO ₂ eq.	1 unit per 1 tonne of CO ₂ eq.	1 unit per 2 tonnes of CO ₂ eq to apply indefinitely once any obligation applies.	NA
Free allocation	Fixed pool equal to 90% of 2005 emissions. No additional allocation for new entrants. Phased out at a linear rate from 2013-2025 (zero by 2025).	Fixed pool equal to 90% of 2005 emissions. No additional allocation for new entrants. Phased out at a linear rate over 2019-2029 (zero by 2030).	Output-based free allocation at 0.9 times an activity-specific allocative baseline. Phased out at 1.3% of the previous year's amount starting in 2016.	Output-based free allocation at 0.9 times an activity-specific allocative baseline (once unit obligations apply). Under the one-for-two progressive obligation, free allocation would be similarly halved. Once full unit obligations apply, free allocation to be phased out by reducing the level of assistance in the previous year by 0.01.	NA
Start date for emission reporting	Mandatory: 1 January 2013 (possibility of early reporting)	Voluntary: 1 January 2011 Mandatory: 1 January 2012	Voluntary: 1 January 2011 Mandatory: 1 January 2012	Voluntary: 1 January 2011 Mandatory: 1 January 2012	NA
Start date for unit liabilities	1 January 2013	1 January 2013	1 January 2015	Deferred indefinitely	NA
First deadline for unit surrender	31 March 2014	30 April 2014	31 May 2016	Deferred indefinitely	NA
Fishing					
Free allocation	None	Fixed pool to fishing vessel operators of 50% of 2005 emissions for 3 years from 1 January 2011 to 31 December 2013.	Fixed pool to fishing quota owners of 700,000 units (90% of 2005 emissions for 2.5 years) from 1 July 2010 to 31 December 2012.	Fixed pool to fishing quota owners of 700,000 units (90% of 2005 emissions for 2.5 years) from 1 July 2010 to 31 December 2012.	NA

Author contact details

Catherine Leining
Motu Economic and Public Policy Research
catherine.leining@motu.org.nz

Acknowledgements

The author gratefully acknowledges review assistance from Ted Jamieson and Robin Brasell at the Ministry for the Environment. This document was prepared under Motu's programme "Shaping New Zealand's Low-Emission Future" with funding support from the Aotearoa Foundation. This document is intended as a user-friendly tool for understanding the legislative evolution of the NZ ETS, and should not be treated as legal advice. Naturally all errors and omissions are the responsibility of the author.

Motu Economic and Public Policy Research

PO Box 24390 info@motu.org.nz +64 4 9394250
Wellington www.motu.org.nz
New Zealand

¹ Exemption thresholds not contained in the Climate Change Response Act 2002 are contained in the Climate Change (General Exemptions) Order 2009.