



The New Zealand Emissions Trading Scheme

Phase out of the one-for-two transitional measure from the New Zealand Emissions Trading Scheme

The Climate Change Response (Removal of Transitional Measure) Amendment Act 2016 will phase out the transitional one-for-two surrender obligation from the New Zealand Emissions Trading Scheme (NZ ETS).

One-for-two allowed non-forestry participants in the NZ ETS to surrender one unit for every two tonnes of emissions (a 50% surrender obligation).

One-for-two will be phased out in three equal steps, beginning on 1 January 2017, until a full obligation (1 unit for every 1 whole tonnes of carbon dioxide equivalent emissions) applies from 1 January 2019.

This will allow the NZ ETS to more effectively support New Zealand to meet our climate change targets, incentivise emission reductions, and help transition New Zealand to a low emissions economy.

Who does this affect?

The one-for-two transitional measure currently applies to the following groups:

Non-forestry NZ ETS participants:

NZ ETS participants from the **liquid fossil fuel, stationary energy, industrial processes, and waste sectors**.

The forestry sector already surrenders one unit for every one tonne of emissions.

Recipients of non-forestry free allocations:

Free allocations of units for activities that are emissions-intensive and trade-exposed (EITE).

Recipients of non-forestry entitlements:

Entitlements for non-forestry removal activities (eg, embedding greenhouse gases in products or exporting products containing certain greenhouse gases).

Synthetic Greenhouse Gas Levy:

Importers of goods containing synthetic greenhouse gases (SGG) are required to pay an SGG levy on importation. Vehicles containing SGG also pay the SGG levy when the vehicle is first registered in New Zealand. These importers are not required to be participants in the NZ ETS.

Non-forestry allocations and entitlements, as well as the synthetic greenhouse gas levy, are currently halved, in line with the 50% surrender obligation applying to non-forestry participants.

What is the change?

One-for-two will be phased out evenly from 1 January 2017 for all of the above groups until full obligations are reached (ie, participants surrender one unit for every tonne of CO₂-e emissions) from 1 January 2019.

The change to non-forestry surrender obligations will be accompanied by proportionate increases to non-forestry allocations and entitlements, and to the synthetic greenhouse gas levy. The increases to non-forestry surrenders, allocations and entitlements are shown in the table below:

non-forestry surrender obligation, allocation or removal activity	2017	2018	2019
	2/3 (67%)	5/6 (83%)	100%
	1 unit for every 1.5 whole tonnes of CO ₂ -e emissions	1 unit for every 1.2 whole tonnes of CO ₂ -e emissions	1 unit for every whole tonne of CO ₂ -e emissions

When will the phase out start?

The phase out of one-for-two takes affect from 1 January 2017. For non-forestry participants, entitlements and allocations it will apply to emissions for the 2017 calendar year (1 January – 31 December). The usual deadlines for emission returns, unit surrenders, and allocation applications remain the same.

In 2017, a non-forestry participant will report their 2017 emissions by 31 March 2018 as usual; however, they will now need to surrender units for two-thirds of these emissions (instead of units covering half of these emissions) by the 31 May 2018 deadline.

The SGG levy rate for motor vehicles and goods containing SGGs will also be adjusted to include the phase out of one-for-two. This will take effect from 1 January 2017.

Questions?

NZ ETS support:

You can call **0800 CLIMATE (0800 254 628)** for help during business hours, 9am to 5pm Monday to Friday.

Or, you can email climatechange@epa.govt.nz.

SGG Levy support:

For motor vehicle importers, please call the NZ Transport Agency on **0800 699 000**.

For importers of goods containing SGGs, call NZ Customs on **0800 4 CUSTOMS (0800 428 786)** or email feedback@customs.govt.nz

Further information

Further information on the NZ ETS review 2015/16 can be found at: <http://www.mfe.govt.nz>.

Disclaimer

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