

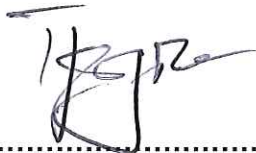
Appendix Two – Ministerial Direction

Ministerial direction to the Registrar of the New Zealand Emission Unit Register: Issuance of New Zealand Units into the Crown holding account in the New Zealand Emissions Unit Register

Having consulted the Minister of Finance and having had regard to all the relevant matters pursuant to section 68 of the Climate Change Response Act 2002, I direct the Registrar of the New Zealand Emission Unit Register to issue 29.5 million New Zealand Units (NZUs) into the Crown holding account in the New Zealand Emission Unit Registry by 1 April 2013.

I direct the Registrar to identify and 'tag' 22.1 million NZUs as suitable for conversion to Assigned Amount Units (AAUs) and exportable and 'tag' 7.4 million NZUs as not being suitable for conversion to AAUs and exportable.

Auckland
Dated at Wellington this *10th* day of *March* 2013



.....
Hon Tim Groser
Minister for Climate Change Issues

Date

Ministerial Statement to accompany Direction to the Registrar of the New Zealand Emission Unit Register

In making the above direction to the Registrar I have consulted with the Minister of Finance and I have had regard to the following matters specified in section 68 of the Climate Change Response Act 2002:

Section 68(2)(b)(i) *The number of units that New Zealand has received, or that the Minister expects New Zealand to receive, under any international agreement*

New Zealand has received 309,564,733 Assigned Amount Units (AAUs) under the Kyoto Protocol. New Zealand has elected to receive removal units for net increases in forest sinks (RMUs) at the end of commitment period one (CP1). It is estimated New Zealand will receive 85.8 million RMUs.

New Zealand decided not to take its commitment under the Second Commitment Period. Therefore, New Zealand will not have an assigned amount for Commitment Period 2 (CP2).

Section 68(2)(b)(ii) *New Zealand's international obligations, including any obligation to retire units equal to the number of tonnes of emissions that are emitted in New Zealand*

Under the United Nations Framework Convention on Climate Change, New Zealand has a commitment to adopt policies and measures to mitigate climate change.

New Zealand also has obligations under the Convention's Kyoto Protocol, whereby it must retire sufficient Kyoto units to cover its total emissions during CP1 or face non-compliance consequences. New Zealand has received 309,564,733 AAUs and expects to receive 85.8 million RMUs. The latest projection of New Zealand's net position under the Kyoto Protocol is a surplus of 35.1 million units.

New Zealand decided not to take its commitment under the Second Commitment Period. It is the Government's intention to announce an emissions reduction target under the United Nations Framework Convention on Climate Change this year. Issues relevant to the target and unit holdings and retirement will be considered as part of that process.

Section 68(2)(b)(iii) *The proper functioning of the greenhouse gas emissions trading scheme established under this Act*

The proper functioning of the ETS requires the issuance of sufficient NZUs to meet entitlements of post-1989 forestry participants; any entitlements under an allocation plan; and any auctions of NZUs the Crown undertakes. Officials estimate that over the next two financial years (2012/13, 2013/14), 23.1 exportable million NZUs will be transferred to post-1989 forest land owners; 10.2 non-exportable million NZUs will be allocated for industrial allocation to emission intensive, trade exposed industry; 1.9 million non-exportable NZUs will be transferred for removal activities and other non-forestry related activities; and 0.8 million non-exportable NZUs for one Negotiated Greenhouse Gas Agreements.

Officials will monitor the balance of NZUs closely to ensure a further issuance, or cancellation of NZUs in 2014 can occur to maintain the proper functioning of the ETS.

Section 68(2)(b)(iv) *Any other matters that the Minister considers relevant*

There are no other matters.