



Office of Hon Dr Nick Smith

MP for Nelson

Minister for the Environment

Minister for Climate Change Issues

Minister for ACC

Ministerial direction to the Registrar of the New Zealand Emission Unit Registry: Issuance of New Zealand units into Crown holding account in New Zealand Emission Unit Registry

Having consulted with the Minister of Finance and having had regard to all the relevant matters pursuant to section 69 of the Climate Change Response Act 2002, I direct the Registrar of the New Zealand Emission Unit Registry to issue eight million New Zealand units into the Crown holding account in the New Zealand Emission Unit Registry.

Dated at Wellington this 3rd day of March 2009


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Hon Nick Smith
Minister for Climate Change Issues

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

In making the above direction to the Registrar I have consulted with the Minister of Finance and have had regard to the following matters specified in section 69 of the Climate Change Response Act 2002:

Section 69(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 67.2 million RMUs.

Section 69(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. The most recent Net Position Report (published in May 2008) projected New Zealand's total emissions of greenhouse gases for the first commitment period to be 391.5 million tonnes of CO₂-e. New Zealand has received 309,564,733 AAUs and expects to receive 67.2 m RMUs.

In other words, New Zealand is currently projected to have more emissions than units, notwithstanding any recourse to purchase of Kyoto units by the government (or their surrender under the NZ ETS). The current projected deficit is 21.5 Mt CO₂-e although this liability will be updated in May 2009. A provision for the Kyoto liability is reported in the Financial Statements of the Crown.

Section 69(2)(b)(iii) The proper functioning of the greenhouse gas emissions trading scheme established under this Act

The proper functioning of the NZ 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 in 2008 post-1989 forests may store around 16Mt of carbon and that up to 8m NZUs may be claimed by post-1989 forestry participants by 31 March 2009.

The Ministry of Agriculture and Forestry (MAF) has an obligation to process emissions returns within 20 working days (as it receives them) and to notify the Minister of Finance about how many NZUs the participant is entitled to.

The Act requires the Minister of Finance, as soon as practicable after receiving notifications from MAF (in relation to post-1989 forest land), to direct the New Zealand Emission Unit Registrar to

transfer NZUs to participants. Functionality will be available in the existing Kyoto Registry to facilitate the transfer of NZUs to participants from 1 April 2009.

Section 69(2)(b)(iv) Any other matters that the Minister considers relevant

There are no further matters I consider of relevance to this decision.

If there is no subsequent commitment period specified or determined under the Protocol or no successor international agreement to the Protocol:

Section 69(2)(c)(i) New Zealand's annual emissions for the 5 years (on record) prior to the year of the direction under consideration

The last five years on record are 2002-2006; these are specified in New Zealand's Greenhouse Gas Inventory published in April 2008.

As the current direction under consideration relates to issuance of NZUs during CP1 for which New Zealand's assigned amount has already been fixed, this matter does not need further consideration now.

Section 69(2)(c)(ii) The report of the most recent review completed under section 160(1)

The review required under section 160(1) of the Act has not yet been initiated. It is not due for completion until twelve months prior to the end of CP1 (1 January 2012), therefore the requirement to have regard to this matter is not applicable at the present time.

Section 69(2)(c)(iii) New Zealand's obligations under the Convention (if any)

New Zealand is a Party to the United Nations Framework Convention on Climate Change. The overriding objective of the Convention is to stabilise greenhouse gases (GHGs) in the atmosphere at a level that would prevent dangerous interference with the climate. New Zealand is meeting its obligations under the Convention, which continue independently of the commitment periods specified under the Kyoto Protocol. This includes obligations to adopt policies and measures to mitigate climate change.

Section 69(2)(c)(iv) New Zealand's anticipated future international obligations

Parties to the Kyoto Protocol, including New Zealand, are currently negotiating further emission reduction commitments for the post-2012 period. This sits alongside a wider negotiation under the Convention, which aims to enhance future emissions reductions by developed and developing countries.

As the current direction relates to NZUs during CP1, for which New Zealand already has an international obligation, this matter does not need further consideration now.