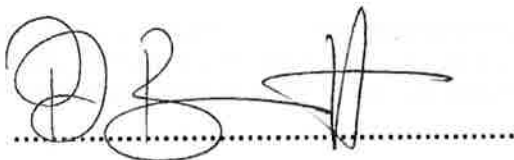


Appendix Two: Ministerial Direction

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 appointed in accordance with section 11 of the Climate Change Response Act to issue into the Crown holding account (NZ-1010) up to an additional 60.8 million New Zealand Units (NZUs). This direction does not affect any previous directions issued under section 68 of the Climate Change Response Act.

Dated at Wellington this *8th* day of *May*, 2017



Hon Paula Bennett
Minister for Climate Change Issues

Date *8/5/17*

Appendix Three: Ministerial Statement to accompany the 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 elected to receive removal units for net increases in forest sinks (RMUs) at the end of commitment period one (CP1). New Zealand received a net of 71,552,798 RMUs.

New Zealand decided not to take its commitment for the Second Commitment Period under the Kyoto Protocol. Therefore, New Zealand will not have an assigned amount for commitment period two (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 had obligations under the Convention's Kyoto Protocol, whereby it needed to retire sufficient Kyoto units to cover its total emissions during CP1 or face non-compliance consequences. New Zealand has met this retirement obligation with a recognised surplus of 123,749,012 million units.

New Zealand decided not to take its commitment under the Kyoto Protocol for the CP2. Therefore no international obligation to retire New Zealand Units (NZUs) equal to the number of tonnes of emissions that are emitted in New Zealand exists at this stage.

Section 68(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 between now and the end of the 2019 calendar year 28.2 million NZUs will be transferred to post-1989 forest land owners and Permanent Forest Sink Initiative participants; and 22.4 million NZUs will be transferred to industrial allocation recipients, entities with Negotiated Greenhouse Gas Agreements and participants engaged in certain removal activities.

Officials will monitor the balance of NZUs closely to ensure a further issuance, or cancellation of NZUs can occur to maintain the proper functioning of the New Zealand Emissions Trading Scheme.

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

There are no other matters.