



The New Zealand Emissions Trading Scheme

NZ ETS 2011 – Facts and figures

About this factsheet

The New Zealand Emissions Trading Scheme (NZ ETS) was introduced by the Government as the lowest cost way to reduce our greenhouse gas emissions. Forestry was the first sector to join the NZ ETS, on 1 January 2008. From 1 July 2010, three new sectors – Energy, Industry and Transport – faced an obligation to surrender units according to the level of their emissions. Their entry established a tradable market for carbon in New Zealand.

The *Report on the New Zealand Emissions Trading Scheme* published last year contained key facts and figures relating to this first surrender period (1 July to 31 December 2010). This factsheet provides updated figures and comparisons relating to the second surrender period of the NZ ETS (1 January to 31 December 2011).

How to use this factsheet

The figures and tables in this factsheet are intended to provide an update to the figures and tables provided in last year's *Report on the New Zealand Emissions Trading Scheme*. For further background information on the NZ ETS, please refer to this report (available at www.climatechange.govt.nz).

The key at the end of this factsheet describes how tables and figures in this factsheet relate to last year's report.

Much of the information in this factsheet was drawn from the *EPA's Section 89 Report*, which is also available at www.climatechange.govt.nz.



Logging truck, Central North Island

Units surrendered

The NZ ETS operates within the framework of a broader global market in emissions. The NZ ETS is linked to this international market by allowing participants to purchase approved international units. In addition, foresters are able to sell their units offshore.

Figure 1 shows the breakdown of types of units that have been surrendered during the second surrender period. This surrender period relates to emissions that occurred between 1 January and 31 December 2011.

This year has seen an increase in the number of international units surrendered in the NZ ETS. Table 1 provides a brief description of the various types of units and how many were surrendered.

Total units surrendered:*

2010: 8,336,168

2011: 16,344,445

Types of units surrendered

FIGURE 1

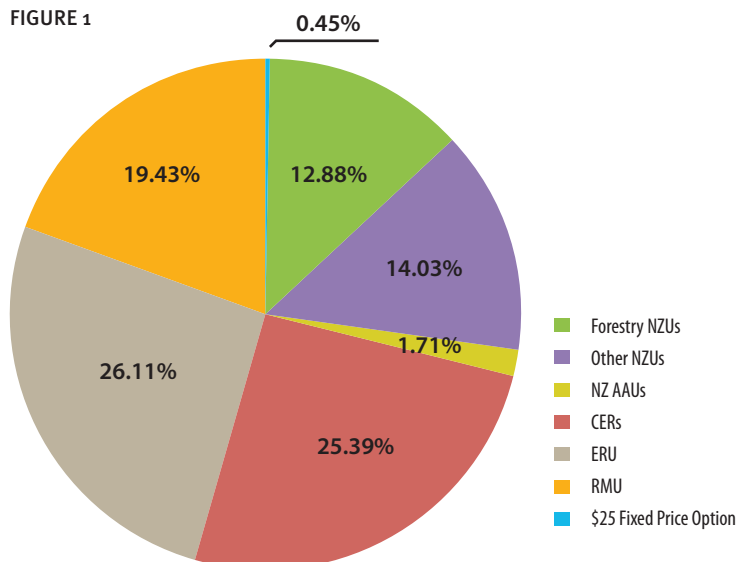


Table 1: Options currently available to members of the ETS to meet their surrender obligations*

<p>Forestry NZUs (New Zealand Units)</p> <p>2010: 5,319,159 2011: 2,105,049</p>	<p>NZUs given to foresters in the ETS. They may be converted to NZ AAUs for offshore sale.</p>
<p>Other NZUs</p> <p>2010: 2,556,141 2011: 2,292,963</p>	<p>All other NZUs, including those given to Industrial Allocation recipients. At present, they cannot be converted to NZ AAUs.</p>
<p>NZ AAUs (Assigned Amount Units)</p> <p>2010: 262,883 2011: 279,511</p>	<p>New Zealand based AAUs. Can be either:</p> <ul style="list-style-type: none"> Forestry NZUs that have been converted into NZ AAUs, or NZ AAUs that have been granted to some companies in New Zealand that have participated in the Projects to Reduce Emissions (PRE) or the Permanent Forest Sink Initiative (PFSI).
<p>CERs (Certified Emission Reduction)</p> <p>2010: 133,150 2011: 4,150,189</p>	<p>CERs are units generated by Clean Development Mechanism (CDM) projects offshore. These units are able to be purchased by participants in the ETS and used to meet their surrender obligations. See Industrial Gas CERs opposite page.</p>
<p>ERUs (Emission Reduction Units)</p> <p>2010: 0 2011: 4,267,077</p>	<p>ERUs are units generated by Joint Implementation projects offshore. These units are able to be purchased by participants in the NZ ETS and used to meet their surrender obligations.</p>
<p>RMUs (Removal Units)</p> <p>2010: 0 2011: 3,176,081</p>	<p>RMUs are Kyoto units generated through storing carbon in trees. These units are also able to be surrendered to meet obligations in the NZ ETS.</p>
<p>NZ\$25 Fixed Price Option</p> <p>2010: 64,835 2011: 73,575</p>	<p>Some companies have chosen to pay the Government a NZ \$25 fixed price per tonne of emissions, rather than surrender the other types of eligible units.</p>

* In the left-hand column, the numbers of units surrendered for 2010 and 2011 are given. Please note the 2010 surrender period relates to emissions over a six-month period, whereas the 2011 surrender period relates to emissions over a full year. Please note also the figures for 2010 have changed since last year's report due to late surrenders. A total of 37,034 units were surrendered late, of which 9,524 were Forestry NZUs and 27,510 were Fixed Price Option units. In addition, 4,526 Forestry NZUs were in fact surrendered for the 2009 year, and have been subtracted from the 2010 figure.

Industrial Allocations

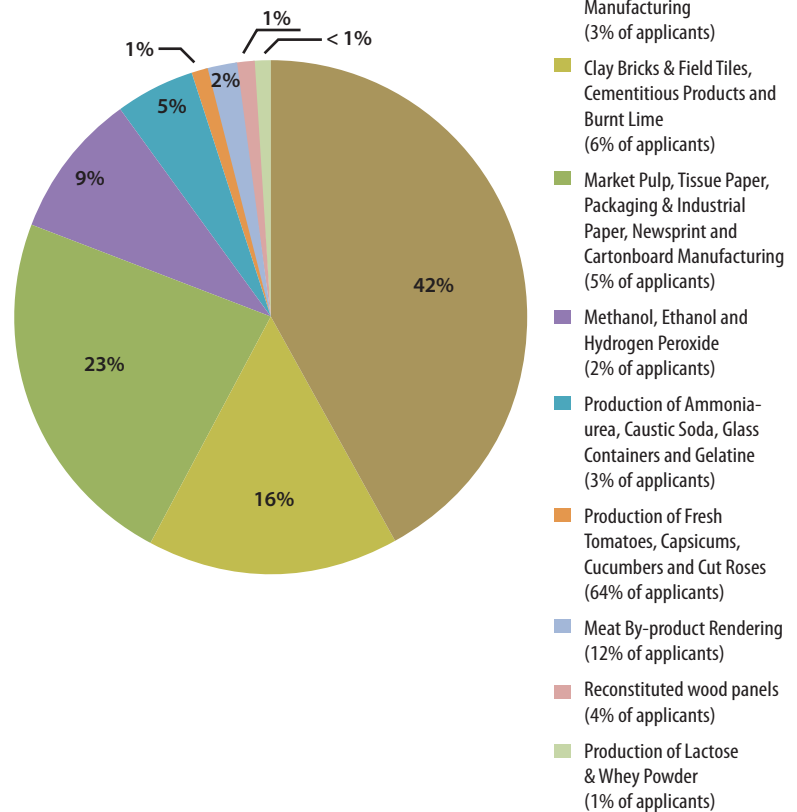
Twenty-six activities are currently eligible to receive industrial allocations. Companies carrying out these activities are being given NZUs by the Government to help with the impacts of the NZ ETS. The full list of eligible activities is in last year's report and available on the Climate Change website.

NZUs are allocated annually, and can be applied for in advance at the beginning of the calendar year or in arrears after the year is completed.

Figure 2 shows the proportion of allocations received by activity, which is broadly similar to last year. The total number of units allocated for 2011 is 3.47 million.

→ Allocations by activity (%)

FIGURE 2



Industrial Gas CERs

From 23 December 2011, certain types of CERs were banned from surrender in the NZ ETS. The banned CERs are those generated from certain types of CDM projects which result in the destruction of HFC-23 or N₂O, collectively referred to as Industrial Gas CERs. These units were banned due to concerns around the environmental integrity and market stability of the NZ ETS.

Industrial Gas CERs that entered the New Zealand Emission Unit Register (NZ EUR) on or after 24 December 2011 can no longer be surrendered. CERs that were brought into the NZ EUR before this date are still eligible, along with those registered with the EPA under the exemption granted for forward contracts. Of the 4,150,189 CERs that were surrendered for the 2011 period, 1,179,835 were Industrial Gas CERs.

For more information on the ban of Industrial Gas CERs, please refer to [Guidance on the use of CERs in the NZ ETS](#).

Forestry

Pre-1990 forestry

Pre-1990 forest is land that was covered in forest on 31 December 1989 and remained covered by predominantly exotic forest on 31 December 2007.

The value of some pre-1990 forest land has decreased because under the NZ ETS landowners now have to pay carbon charges if they want to convert their land to other uses. In response, the Government is providing pre-1990 forest landowners with an allocation of NZUs to compensate them for this loss of land value.

Post-1989 forestry

Post-1989 forest land is exotic or native forest established after 31 December 1989 on land that was not previously forested. These forests are eligible to earn NZUs for carbon absorbed from 1 January 2008.

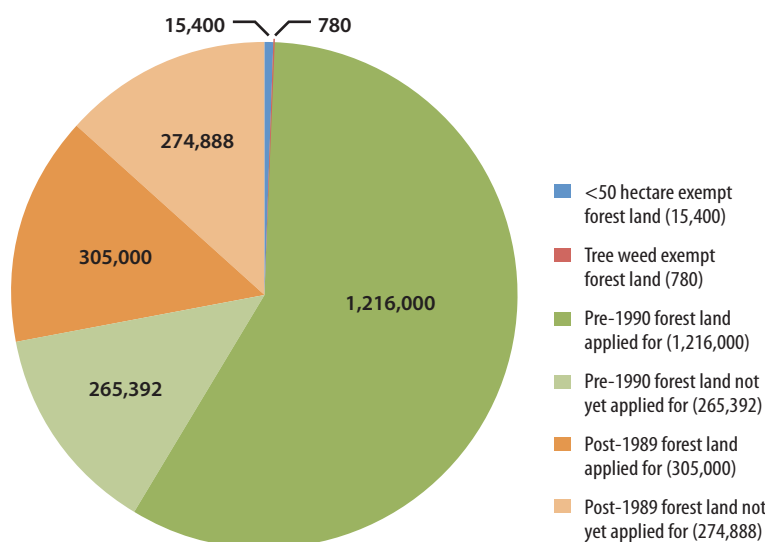
Post-1989 foresters can choose to become voluntary participants in the NZ ETS. They will earn NZUs for the carbon they remove. These NZUs must be surrendered when trees are harvested. Post-1989 forest must be registered in the NZ ETS prior to 31 December 2012 in order to claim the carbon stored between 2008–2012.

Figure 3 shows the distribution of forest land under the NZ ETS. This year has seen a significant increase in the amount of forested land entered into the NZ ETS.

Figure 4 shows the net change in planted forest area for the period 2005–2013. As foresters have four years to replant before the area is considered deforested, some of the figures in figure 3 may have changed with respect to the corresponding figures from last year's report.

→ Distribution of forest land (in hectares) under the NZ ETS

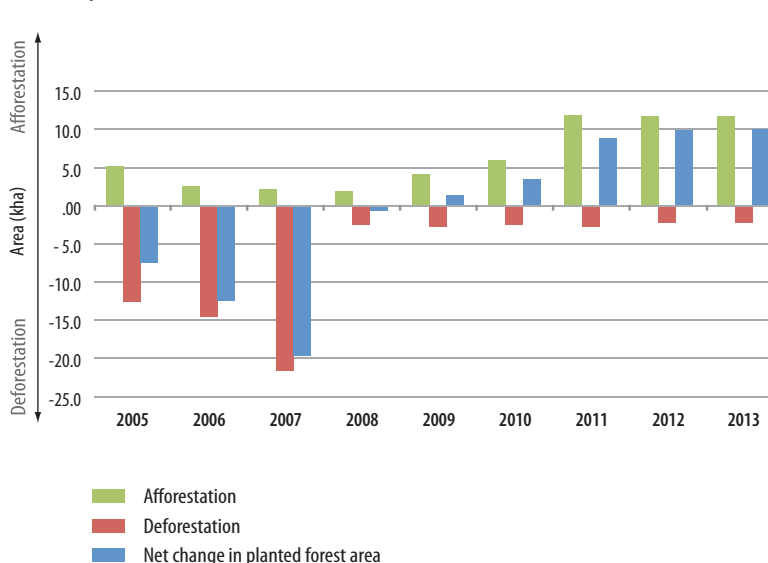
FIGURE 3



Note: The figure for pre-1990 forest land not yet applied for assumes the upper estimate of 1.5m hectares eligible forest. This figure includes Crown land, which will not be registered as pre-1990 forest in the NZ ETS.

→ Annual net change in planted forest area in 2005 to 2013

FIGURE 4



Note: The 2005–2009 figures are actual figures. The 2010 figures are provisional, while the 2011–2013 figures are projected.

2010 and 2011 comparison

As the NZ ETS is now in its second year of full operation, comparisons can be made between the two years. The charts on this page compare key figures between the two years.

Participants in the Energy, Industry and Transport sectors are required to surrender one unit for every two tonnes of emissions produced. In 2010, these sectors faced a surrender obligation relating to emissions produced in the final six months of the year (1 July to 31 December). In 2011, they faced a surrender obligation relating to emissions over the whole year (1 January to 31 December).

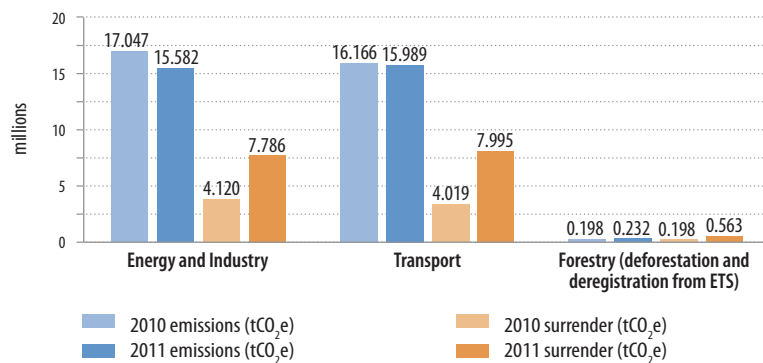
The surrender figure for the Forestry sector is higher than emissions reported; this is due to post-1989 foresters deregistering from the scheme and paying back units that had previously been provided to them.

Energy, Industry and Transport sectors

Since 2010 the Transport, Energy and Industry sectors have faced a surrender obligation relating to emissions produced. The Transport sector mainly covers the use of liquid fossil fuels, the Energy sector covers all fuels used for electricity generation and in the direct production of power and heat, and the Industry sector covers emissions from certain industrial activities. Refer to the relevant sections in last year's *Report on the New Zealand Emissions Trading Scheme* for more information on these three sectors.

→ 2010 versus 2011 emissions and surrenders

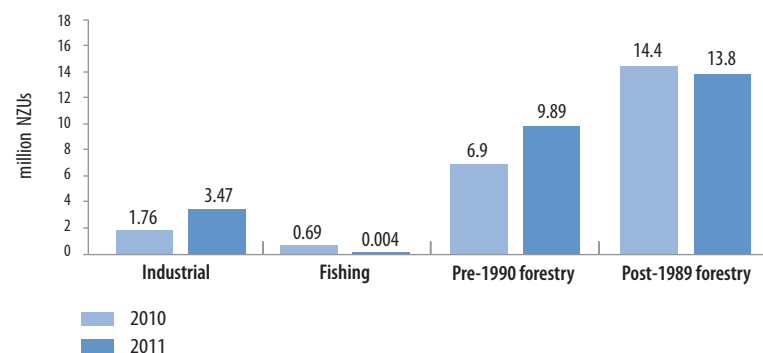
FIGURE 5



Note: The figure for 2010 surrender, Energy and Industry differs from that given in last year's report. A total of 37,034 units were surrendered late for this sector.

→ 2010 versus 2011 (Units allocated and earned)

FIGURE 6



The 2010 figure for Industrial Allocations relates to the six months from 1 July to 31 December. The 2011 figure relates to the whole year.

By the end of 2010, 99 per cent of fishing quota allocations had been processed. The 2011 figure relates to residual allocations.

The figures for pre-1990 forestry relate to the first tranche of allocations only.

The figures for post-1989 forestry relate to removals reported to the EPA between June 2010 and June 2011 (for the 2010 figure), and between June 2011 and June 2012 (for the 2011 figure). However, these removals have occurred in any period between 2008 and 2011.

Key

The table below provides a description of how tables and figures in this factsheet relate to those from last year's *Report on the New Zealand Emissions Trading Scheme*.

Table 2

2012 update figure	2011 Report figure	Description	Data source (Agency)
Figure 1	Figure 5 - page 9	Types of units surrendered	EPA
Table 1	Table 3 - page 9	Description of units surrendered	N/A
Figure 2	Figure 8 - page 16	Allocations by activity	EPA
Figure 3	Figure 6 - page 12	Distribution of forest land	MPI and MfE
Figure 4	Figure 7 - page 12	Net change in planted area	MPI and MfE
Figure 5	Figure 10 - page 19	Emissions and surrenders	EPA
Figure 6	Figure 11 - page 19	Units allocated and earned	EPA



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Ministry for the
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Manatū Mō Te Taiao

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Po Box 10362
Wellington 6143

www.climatechange.govt.nz/ets
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