

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 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 71.6 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 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 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 71.6 million RMUs. The latest projection of New Zealand's net position under the Kyoto Protocol is a surplus of 127.5 million units.

New Zealand decided not to take its commitment under the Second Commitment Period. 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 New Zealand Emissions Trading Scheme (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 over the next two financial years (2014/15, 2015/16), 18.9 million exportable NZUs will be transferred to post-1989 forest land owners and PFSI participants; and 13.9 million non-exportable NZUs will be transferred to industrial allocation recipients, entities with Negotiated Greenhouse 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 NZ ETS.

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

There are no other matters.

Dated at Wellington this 10th day of March 2015.

Hon TIM GROSER, Minister for Climate Change Issues.