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ETS Regulations Updates 2018
Ministry for the Environment
Wellington 6143

By email: ETSRegsUpdate2018@mfe.govt.nz

Submission on the Proposed Technical Updates to Climate Change Response Act 2002 Regulations for 2018

Introduction

1. This is Vector Limited's (Vector) submission on the Ministry for the Environment's (MfE) consultation paper, *Proposed technical updates to Climate Change Response Act 2002 regulations for 2018*, released in May 2018.

2. We set out below our comments on the proposed technical updates that will:

   - update default emission factors (DEFs) for natural gas in the *Climate Change (Stationary Energy and Industrial Processes) Regulations 2009* (SEIP Regulations);

   - redact exporting natural gasoline produced from purchased natural gas as an eligible removal activity from the *Climate Change (Other Removal Activities) Regulations 2009* (Removals Regulations); and

   - allow producing liquid carbon dioxide (CO2) for export to be an eligible removal activity, also under the Removals Regulations.

3. No part of this submission is confidential. Vector's contact person for this submission is:

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Update of natural gas default emission factors

4. The consultation paper signals that "a draft Table 10 [*which sets out the DEFs in the SEIP Regulations*] will be separately forwarded to all affected NZ ETS gas mining and purchasing participants for comment". We look forward to receiving this information.

5. In addition to the above parties, we suggest that MfE also provide the Gas Industry Company (GIC - the gas industry co-regulator) with the draft, updated Table 10 so the GIC can inform the relevant industry participants and other interested participants expeditiously.

Revocation of regulations for the export of natural gasoline

6. The consultation paper notes that an exemption from NZ ETS obligations for any gas sold and processed into natural gasoline was introduced in 2012. The paper further notes that this exemption has not been used in relation to natural gas sent to the Marsden Point refinery because gas miners and processors have not been aware of it until recently.

7. In 2017, an amendment was made to the Removals Regulations that allows exporters of natural gasoline to receive emission units for their activity.

8. The existence of the 2012 exemption implies that the export of natural gasoline should not be an eligible removal activity as there are no NZ ETS costs applied to the emissions. As the 2012 exemption does not require the surrender of emission units, the Government will incur costs if the existing arrangement (i.e. having both the 2012 exemption and the 2017 amendment) is not corrected.

9. We support Option 2, which simply revokes the 2017 Removals Regulations amendment. This will remove exporters' ability to calculate and claim emission units for exporting natural gasoline.

10. We agree that the Government and relevant parties are likely to incur lower administration costs under Option 2 than under Option 1, which involves removing the 2012 exemption. We agree that removing the exemption would be more complex as NZ ETS costs are carried onto exports of natural gasoline, and exporters will then use the Removals Regulations to recover those costs. Furthermore, under Option 1 and as pointed out in the consultation paper, some of New Zealand's natural gasoline will be subject to NZ ETS obligations a second time when it leaves the Marsden Point refinery, requiring another regulatory solution to avoid 'double counting'.

Export of liquid CO_2

11. The consultation paper notes that "[e]xporters of liquid CO_2 are incurring NZ ETS costs for emissions that occur outside New Zealand. Those emissions are not part of our international commitments or Inventory and were not intended to be included in the NZ ETS".

12. We support Option 1, which involves amending the Removals Regulations to allow the production of liquid CO_2 for export to be an eligible removal activity. This is an acknowledgement that CO_2 emissions are the responsibility of the importing country.

13. We agree that new communication and administrations costs are likely to be lower under Option 1 than under Option 2, which involves exempting fuels used to produce any exported liquid CO_2 from NZ ETS obligations. We agree that Option 2 will require careful documentation and communication between exporters of liquid CO_2 and other relevant parties, and it could be challenging to attribute export volumes to specific suppliers in a supply chain of multiple parties.

14. Liquid CO_2 is also produced by Vector at the Kapuni Gas Treatment Plant. Any regulation resulting from this consultation should be applicable to any potential source of liquid CO_2.

Yours sincerely
For and on behalf of Vector Limited

Luz Rose
Senior Regulatory Specialist