The New Zealand emissions trading scheme is part of the government's response to climate change. Emissions trading will help reduce emissions, encourage and support global action on climate change, and help put New Zealand on a path to sustainability.

This factsheet explains how emissions trading will affect Māori.

Emissions trading and Māori

Factsheet 25

September 2008

Māori relationship with natural resources

Māori are increasingly seeking to achieve their environmental and sustainability aspirations through the development and management of natural resources. The Māori asset base, now worth $16.4 billion, is concentrated in primary production and processing and is dependent on the natural resources of land, water and fisheries. For Māori, the development and management of these resources is inextricably linked to their cultural approach to sustainability. For many centuries, Māori have based their practices on their understanding of the environment to maintain and sustain their families and communities. These practices are now being impacted on through climate change, a global issue affecting the relationship that Māori have with the environment and Māori use of natural resources.

Overview of the emissions trading scheme

By 2013 all major sectors of the economy will have obligations under the New Zealand emissions trading scheme. This includes the following sectors: forestry, stationary energy (power generation), industrial processes, transport (liquid fossil fuels used on land, sea and in the air), synthetic gases, waste and agriculture.

Sector participants will be required to surrender one emissions unit for each tonne of greenhouse gas emissions they are responsible for under the scheme. Some sectors receive an allocation of emission units.

Households and small businesses are not required to participate in the emissions trading scheme but may experience indirect price increases in the cost of electricity and fuel when the stationary energy and transport sectors enter the scheme. The government will provide some financial assistance to households and has created a Household Fund to reduce non-transport household emissions through the promotion of energy efficiency and renewable technologies in households.

Development of the emissions trading scheme

To aid the development of climate change and emissions trading policy and facilitate consultation with Māori on the scheme, in 2007 the government encouraged the participants of government-led hui on climate change and emissions trading to establish a Māori Reference Group. An executive of this group was formed that provided input to an Iwi Leadership Group. These groups facilitated further hui on the emissions trading scheme and met and discussed policy with Ministers and officials on a number of occasions.

Forestry

Māori play a significant role in the forestry sector. Approximately 439,000 hectares (roughly 25 percent) of all exotic forest land is estimated to be currently owned by Māori (including the exotic forest land transferred under the recent Central North Island settlement). This could potentially increase to over 700,000 hectares (40 percent) as Treaty claims on the remaining land under Crown Forestry Licences are settled and the land transferred to Māori. Most of this Māori-owned exotic forest land will be classified as pre-1990 exotic forest land under the emissions trading scheme.

Māori are also significant owners of private indigenous forest, holding approximately 275,000 hectares (23 percent) of privately-owned indigenous tall forest estate and a smaller total area of indigenous scrub. The 275,000 hectares of privately-owned indigenous tall forest estate accounts for roughly one-third of Māori freehold land.

The forestry sector entered the emissions trading scheme on 1 January 2008 because of the importance of forestry to New Zealand's ability to meet its international obligations for greenhouse gas emissions.

The emissions trading scheme classifies forests differently depending on when a forest was first established. This largely mirrors the rules under the Kyoto Protocol. Refer to Factsheet 17 on forestry for more explanation of how post-1989 forests and pre-1990 forests are defined.

Owners, forestry right or leaseholders, of eligible exotic or indigenous forests planted after 1989 have the choice to voluntarily enter the emissions trading scheme. Owners, forestry right or leaseholders who choose to enter the scheme will earn New Zealand units (NZUs) as their forests grow, but will be required to surrender units if carbon stocks fall, such as when the forest is harvested or if it burns down. The government retains responsibility for the increases in carbon stocks, and liabilities for decreases in carbon stocks on post-1989 forest land where the owners have chosen not to participate in the emissions trading scheme.

Owners of pre-1990 exotic forests face obligations under the scheme if they 'deforest' (ie, remove the trees and introduce a new land use, such as agriculture). Deforestation obligations for pre-1990 forests apply only to exotic forests, not indigenous forests. Owners of forests planted before 1990 do not face any emission obligations if they harvest the trees, as long as the land is replanted in forest species or left to regenerate back into forest.

The following exemptions from the emissions trading scheme apply to pre-1990 exotic forests:

- an automatic exemption for areas of deforestation of less than two hectares during the five years 2008 to 2012 and any subsequent five-year periods
- an exemption can be applied for if the landowner's total holdings of pre-1990 exotic forest land were less than 50 hectares on 1 September 2007
- an exemption can be applied for by landowners in relation to species of trees that are pests such as wilding pines.

The government will allocate 55 million units (less the units required to meet the cost of land declared exempt) to owners of pre-1990 forests on the basis of the size and purchase date of their forest landholdings. Owners of forests bought on or before 31 October 2002 that qualify as pre-1990 forests will be allocated an estimated 60 units per hectare. Those who purchased their forest after 31 October 2002 will receive 39 units per hectare.

In addition, 18 units per hectare have been set aside for future Treaty claimants who receive Crown Forest Licence land.

Other initiatives in place to encourage landowners to plant more trees are:

- the East Coast Forestry Project
- the Permanent Forest Sink Initiative
- the Forestation Grant Scheme.

The Permanent Forest Sink Initiative also offers Māori the opportunity to earn forest sink credits as Kyoto Protocol Assigned Amount Units (AAUs). The Afforestation Grant Scheme will provide further opportunities for Māori through a government cash grant for planting new forests on Kyoto-compliant land (ie, land that can qualify as being non-forested land on 1 January 1990, under the emissions trading scheme definition of forest land).

The deforestation of indigenous pre-1990 forest land is excluded from the emissions trading scheme. It was excluded for the following reasons:

- there are regulatory controls already, which while incomplete, are broadly effective
- the cost of bringing indigenous forest land into the scheme is roughly equal to the benefit
- it would be technically difficult to differentiate between pre-1990 and post-1989 indigenous forest land, in the context of regenerating indigenous scrub.

However, owners of eligible post-1989 forest land can opt in to join the scheme.

For more information on forestry and emissions trading, see Factsheet 17 on forestry or visit the Ministry of Agriculture and Forestry website **www.maf.govt.nz**.

Energy

The stationary energy sector will enter the emissions trading scheme on 1 January 2010. 'Stationary energy' includes all fuels used in electricity generation and in the direct production of heat in the industrial, commercial, and residential sectors.

This includes geothermal energy that is used for generating electricity or industrial heat, which is likely to have implications for Māori who are active in the geothermal energy production sector. It does not include energy used for transport or emissions from industrial processes.

Including stationary energy in the emissions trading scheme is likely to result in small increases in electricity and other energy prices for consumers, although this may in turn encourage energy efficiency and conservation.

As an illustration, the average household electricity use is 8000 kilowatts per annum. If retail electricity prices increase by one cent per kilowatt hour as a result of emissions trading, the average household electricity bill will increase by about five percent when electricity enters the scheme in 2010.

Financial assistance will be provided for households in the form of an accelerated adjustment for low-income households through a targeted income supplement to families who receive benefits, superannuation and Working for Families tax credits. There will also be a one-off rebate for all households for price increases associated with electricity.

The government has also created a billion dollar Household Fund to promote household energy efficiency and renewable technologies in households. The programme could include household insulation and clean heat retrofits, energy efficient appliances, and light, space and water-heating efficiency improvements. Improving the energy efficiency of our homes and switching to clean heating devices will reduce our energy emissions, and therefore our energy costs, and also provide significant health and air quality benefits. While ethnicity will not be a criterion for funding, Māori and Pacific Island communities have higher than average incidences of asthma and other illnesses. Given that cold and damp houses are understood to be contributory factors for these illnesses, insulating the homes of those most in need will be a priority.

Industry

Industrial process emissions will enter the emissions trading scheme on 1 January 2010. The scheme covers:

> carbon dioxide from producing iron, steel, aluminium, clinker, burnt lime, glass and gold
> PFCs from producing aluminium
> nitrogen from producing cables using a nitrogen cure process.

For carbon dioxide emissions from the metal, mineral, and chemical industries, and perfluorocarbons emissions from aluminium production, the emissions trading obligation is placed on the emitter. Emissions are to be calculated by tracking the volume of products or 'emission sources' (which are purchased, produced or imported) and multiplying this volume of product by an emission factor, rather than by monitoring actual emissions. The methods for calculating emissions will be set out in regulations, which are being developed.

Trade-exposed firms may be eligible to receive an allocation of free emission units to compensate for the increased costs they will face as a result of the emissions trading scheme. They must first meet the allocation plan requirements and meet the eligibility criteria. They can sell these units to cover the increased costs, under measures to decrease the amount of emissions they produce (if a participant) or reduce their electricity use through energy efficiency measures.

Over the next year the government will develop an allocation plan for determining who will be entitled to receive an allocation of free emission units and the formulas for calculating how many units a firm will be entitled to receive. The government will notify the public of the opportunity to make submissions on a draft of this plan.

The government has established an Innovation Fund to facilitate the early uptake of innovative technology to reduce or avoid industrial-sector emissions. It is a contestable fund of 150,000 units per year from 2010 to 2012 (although the operation of the fund can be extended beyond 2012 by the Minister). The fund is only available for activities by trade-exposed firms that have not received either any free allocation, or any free allocation for the activities they are applying for under the fund.

Transport

The transport (liquid fossil fuels) sector will enter the emissions trading scheme on 1 January 2011. The emissions trading scheme will cover petrol, diesel, aviation gasoline, jet kerosene, light fuel oil, and heavy fuel oil. Emissions from fuel used for international aviation and marine transport are exempt from the scheme.

Fuel suppliers who take fuel from the refinery or who import it will be required to participate in the scheme – this currently includes BP, Caltex, Gull, Mobil, and Shell. Motorists will not be directly involved in emissions trading.

It is expected that under competitive market conditions, a proportion of the cost of emission units will be passed through to consumers by fuel suppliers. It is assumed that, as a result, fuel prices may rise by seven percent.

Agriculture

All agricultural emissions will be included in the emissions trading scheme from 1 January 2013. This will provide an incentive for farmers to take into account the cost of emissions in their business and production decisions.

The Act makes processing companies, not individual farmers, responsible for participating in the scheme. This would mean fertiliser manufacturers, dairy processors, and meat processors would participate.

This could be switched to farmers, but this would be potentially complex and difficult to administer. The final decision on whether to make processors or farmers the point of obligation will be made by 30 June 2010. If processors do become the point of obligation, farmers may still be able to opt in to the emissions trading scheme to take direct responsibility for the greenhouse gas emissions from their farms.

The government has identified three possible options for allocating emission units to the agricultural sector. It could give them to:

> individual farmers
> companies and processors dealing with farm produce
> farming industry organisations that would manage emission units on behalf of farmers.

Whichever option is chosen, the aim will be to ensure the benefits of the free allocation of emission units ultimately go to farmers, not the companies and processors, because it is farmers who are expected to face most of the impacts of the emissions trading scheme.

Alongside the emissions trading scheme, the government is working in partnership with stakeholders and Māori in the agriculture and forestry sectors to put in place a Plan of Action for Sustainable Land Management and Climate Change. This package includes helping farmers, growers, foresters, and other businesses in the land management sectors develop the skills, knowledge, technology, and management techniques to reduce their emissions, adapt to climate change, and pursue business opportunities.

The government is developing a Heads of Agreement with the dairy and fertiliser industries to investigate and apply measures to significantly reduce nitrous oxide emissions in the dairy sector over the next five years.

There is a clear role for a strong agricultural research effort aimed at reducing the carbon footprint of New Zealand's agricultural industry and the government is investing through a number of channels. The government is currently investing approximately $2.5 million a year in this research through the Pastoral Greenhouse Gas Research Consortium, matched by equivalent industry funds. The research is being carried out by Crown Research Institutes and universities. In addition, the government is spending $6 million in 2008/9, increasing to $10 million in 2010/11, under the Plan of Action on research into mitigation, adaptation and business opportunities in agriculture and forestry. In 2007 the government also introduced research and development tax credits to encourage greater levels of agricultural research.

New Zealand Fast Forward (NZFF) – a unique partnership between the pastoral, food and related industries and the government – will make collaborative targeted investments in pastoral and food innovation to drive transformational change. The government has committed $700 million for investment over 10–15 years. Industry is expected to match this investment over the same timeframe – making an estimated total investment of $1.2 billion.

Where to go for more information

For more information on the government's climate change work, including more information about the emissions trading scheme, visit **www.climatechange.govt.nz**

To access 'Forestry in a New Zealand Emissions Trading Scheme' and 'The Sustainable Land Management Plan of Action', visit **www.climatechange.govt.nz**

Call **0800 CLIMATE (0800 254 628)** if you have any questions about the emissions trading scheme.

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