

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 small and medium-sized businesses.

Small and medium-sized businesses and the emissions trading scheme

Factsheet 26



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How small and medium-sized businesses fit into the emissions trading scheme

Small and medium-sized businesses (SMEs) will generally not be directly involved in the emissions trading scheme and so they will not be required to trade emission units. However, SMEs will feel the effect of the emissions trading scheme as the costs of greenhouse gas emissions are passed through the economy. This factsheet does not discuss SMEs in the forestry and agricultural sectors. Please refer to Factsheets 17 and 21 for information on these sectors.

SMEs may be able to receive free allocations of emission units under the emissions trading scheme if they meet the eligibility tests that are specified in the allocation plans for industrial processes and agriculture.

Potential impacts and opportunities associated with the emissions trading scheme

SMEs generate greenhouse gas emissions indirectly, for example, by using electrical appliances and machinery, and directly by burning fuel for cooking, disposing of organic waste in a landfill, or using transport.

The main effect of the emissions trading scheme on SMEs is likely to be a rise in fuel prices (from 2011) and electricity prices (from 2010). For example, it is expected that fuel prices will rise by about seven cents per litre and electricity prices will rise by about five percent. There will also be secondary effects, such as increases in the prices of some goods as a result of increased freight charges (from 2011), and increases in the cost of disposing of waste at municipal landfills (from 2013).

There are many things that SMEs can do to respond to the price signal provided by the emissions trading scheme. Each business is different, and one of the first things you can do is to measure your business's carbon footprint to see where things could be improved. The Greenhouse Gas Protocol

presents best-practice methodology for measuring your business's carbon footprint and is available at www.ghgprotocol.com. The Ministry for the Environment has published a guidance document for New Zealand organisations that wish to voluntarily measure their emissions. The document includes New Zealand-specific guidance, such as emission factors common to New Zealand operations. The guidance document is available at www.mfe.govt.nz/publications/climate/guidance-greenhouse-gas-reporting-apr08/index.html



After identifying your business's carbon footprint, the next step is to make changes to reduce your business's emissions over time. Examples of the sorts of things that will help reduce your emissions can be found in the reduction plans of the 34 central government agencies who have been reducing their emissions as part of the Carbon Neutral Public Service programme. For example:

- > the Ministry for the Environment's reduction plan is available at www.mfe.govt.nz/publications/sus-dev/carbon-neutral-public-service-reduction-plan-apr08/
- > the Ministry of Economic Development's reduction plan is available at www.med.govt.nz/upload/56514/cnps-reduction-prog.pdf

Many of these activities have additional benefits. For example, reducing the waste you send to landfill, being more energy efficient and cutting out unnecessary travel, all save your business money.

Getting your staff on board is also an important part of the process. Your staff are most closely involved with the day-to-day operations of your business and are in the best position to identify areas where improvements could be made. Getting them involved may also have benefits for staff retention and satisfaction, as you gain a reputation as an environmentally responsible business.



New opportunities

The emissions trading scheme will also stimulate new opportunities by increasing the demand for, and improving the economic viability of, low-emissions products and services. For example, there are likely to be opportunities in the areas of renewable energy generation (both small-scale and large-scale), research and development, information technology (emissions monitoring and management software, and telecommunications software), carbon management and trading knowledge and services, forestry and carbon sequestration, and energy efficient products and services.

The government has also established an Innovation Fund aimed at facilitating 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 Minister can extend the operation of the fund beyond 2012). 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.

Other government climate change initiatives relevant to small businesses

The government has introduced several initiatives that support the emissions trading scheme. For example, the Energy Efficient and Conservation Authority (EECA) Emprove programme provides energy management information and tools, financial assistance for energy surveys and audits, training and support at energy seminars and courses, on-site solutions, a staff awareness and motivation kit, and technical information and tips.

For businesses that spend a high proportion of their costs on energy, EECA's Energy Intensive Business Programme provides cash grants for investment in energy efficient technology. More information on these programmes is available on EECA's business website (www.eecabusiness.govt.nz/index.htm). This website also provides information about a grants scheme to increase the uptake of renewable energy from the forestry sector.

The emissions trading legislation also includes a contestable fund of carbon units to promote innovation in low-emissions technology. Details of the fund will be worked through over the coming month and published on the climate change website at www.climatechange.govt.nz

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 or call 0800 CLIMATE (0800 254 628).

To find out how to make your business more energy efficient and how to produce less greenhouse gas emissions when you travel, visit the ENERGYWISE website at www.energywise.org.nz

To find out how to be more environmentally conscious at work, visit www.sustainability.govt.nz