OraTaiao
NZ Climate & Health Council

11 August 2023

OraTaiao submission on:
Te Arotake Mahere Hokohoko Tukunga –
Review of the New Zealand Emissions Trading Scheme

MfE Discussion document at
https://environment.govt.nz/assets/publications/climate-change/Review-of-the-New-Zealand-Emissions-Trading-Scheme-Discussion-Document.pdf

OraTaiao submitting to
https://consult.environment.govt.nz/climate/nzets-review/consultation/

About OraTaiao:
OraTaiao: The New Zealand Climate and Health Council is an organisation calling for urgent, fair, and Tiriti-based climate action in Aotearoa; we recognise the important co-benefits to health, well-being and fairness from strong and well-designed mitigative policies. Our vision is Āhuarangi Ora, Tangata Ora, 'Healthy Climate, Healthy People'.
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OraTaiao submission

Chapter 2: Expected impact of current NZ ETS

2.1 Do you agree with the assessment of reductions and removals that the NZ ETS is expected to drive in the short, medium and long term?

In general, we agree (and are deeply concerned) with this chapter's overall assessments that:
(i) the government does not have levers within the NZ ETS to drive faster and greater gross emissions reductions,
(ii) trees (especially exotics) are being planted instead of big climate polluters reducing their gross emissions, and
(iii) that the supply of units looks likely to exceed demand within years - damaging the forestry sector and removing any shred of confidence in the ETS to do anything useful.

These ETS concerns are also in the context of a **highly dynamic climate emergency**. NZ's legislative targets, future emissions budgets and second emissions reduction plan, and inclusion of international travel, are all under review currently by the NZ's Climate Change Commission.

Furthermore, there is a Global Stocktake of global efforts to date due this year, NZ is expected to submit a more ambitious NDC in 2025, and the IPCC in its March 2023 Synthesis of the sixth Assessment Report call for rapid, deep and mostly immediate cuts to climate pollution in all sectors this decade - to have half a chance of limiting global heating to 1.5 degrees, and two-thirds chance for 2 degrees. Every tenth of a degree matters.

The world's expert climate scientists state in their 2023 Synthesis report that there's a **rapidly closing window of opportunity to secure a liveable and sustainable future for all**. This is the less visible rising climate 'cost of living' for New Zealanders. Big polluters delaying action are piling up a huge bill in offshore credits for our government to pay. Insurance bills, repair costs and food prices (from crop losses and road washouts) are all going up. It's **time for direct government support to low income households** - not protecting big climate polluters.and other countries to make up for our inaction.

We further contend that there is a **strong international equity case for NZ reducing our domestic gross emissions at a much faster rate**. NZ has signed up to halving our net climate pollution by 2030, which is an average effort. Yet NZ is relatively wealthy, has polluted the most (per person) since 1850 (cumulative per capita emissions 1850-2021) by burning most of our native forests, and we still pollute per person much more than the global average. For global fairness, NZ must move to cut our gross domestic emissions much faster, moving to neutral then negative emissions much closer to 2030 than 2050 (Metcalfe 2015, Civil Society Equity Review Coalition, Background to the NZCPHM's stance on setting national GHG emissions targets).

In other words, for many reasons the current NZ ETS is dangerous - and must either be **radically transformed within months to do the job it urgently needs to do**, or be dismantled entirely. The NZ government now needs **precision tools** to drive the speed and size of emissions reductions that are essential across all gases and all sectors. If the scale of the overhaul recommended in this submission does not eventuate nor endure over election cycles, then the government must be ready to immediately scale up their other climate tools even more. At a minimum, the ETS must be fixed so that it **'does no harm'** - that is, it stops being a vehicle for corporate welfare. NZ's big climate polluters must pay the full price of their climate pollution before 2030, with phased increased pricing starting immediately.

We must step up massively to play our part as a global citizen. **Every tenth of a degree matters**, and there'll be **many more important calls on government funds**, globally and domestically, than propping up NZ's big climate polluters to continue to pollute.

The NZ ETS, as the government's number one climate tool, has a much bigger job ahead, and this tool is not even delivering on NZ's very weak promise to effectively cut gross domestic

emissions by around 7% (a small fraction of our fair effort). NZ is an outlier in depending on offshore credits to meet two-thirds of our promised NDC emissions reductions by 2030 (having the highest offshore credits ratio in OECD).

Likewise, **NZ has the only ETS globally that has unfettered removals** - which are scientifically incorrect, and as this consultation has identified, undermine efforts to actually cut climate pollution. The long-established EU ETS excludes forestry removals because of the scientific concerns around the validity of trading carbon emissions which take more than 10,000 years to leave our global atmosphere, and the relatively temporary nature of carbon removals (even indigenous forests which are subject to increasing wildfires, landslips, flooding and infestations as the global climate destabilises).

2.2 Do you have any evidence you can share about gross emitter behaviour (sector specific, if possible) in response to NZU prices?

- The Government's $140 million subsidy of NZ Steel to cut 800,000 tonnes per year (just over 5% of NZ's cuts needed 2026-2030) is described as good value at $16 per tonne. Even with an ETS carbon price of $60 per tonne, NZ Steel's 90% free industrial allocation of credits meant this company faced an effective price of $6 per tonne. In other words, if the government had reduced NZ Steel's industrial allocation to 73%, the ETS alone could have driven NZ Steel to invest in lower carbon infrastructure without any government funding.
- Another 2.69% of 2026-2030 cuts is now expected from government funding up to $90 million to Fonterra. Fonterra has announced plans to invest $790 million in decarbonising its operations, such as drying milk powder. Although it is questionable how much of that behaviour is driven by NZU prices and how much by factors like carbon border taxes being introduced for exports to its key markets.
- Just 11 years ago, back in 2012, Fonterra built its biggest-ever milk treatment plant in Darfield - powered by coal. This is the climate cost of industrial allocations, plus building lame duck infrastructure that has to be fixed or abandoned - and loading up our taxpayer liabilities for 2030. Private profit-making funded by taxpayers - at the expense of fully funding health, education and housing.
- We also caution around responding to submissions from high emitting companies - as because their role is to maximise short term profits, they are highly motivated to minimise ETS changes. NZ and NZ's ETS needs transformational change now - not tweaking.

2.3 Do you have any evidence you can share about land owner and forest investment behaviour in response to NZU prices?

- Again, could MfE please take care with responding to submissions from landowners and forest investors - they are highly motivated to lobby for ETS settings that maximise their profits, rather than minimise climate pollution harm.
- Including carbon removals in the NZ ETS (unlike the European Union's ETS, which excludes removals) has led to big climate polluters procrastinating over cutting their actual emissions and pushing pine planting instead. The estimated amount of exotic forestry planted last year was 60,000 hectares, double what had been projected.
- This procrastination extends to the Overseas Investment Office approving increasing numbers of international investors looking for offsets to plant here in New Zealand.
- The Climate Commission has criticised unlimited use of pine plantations under the ETS. As the Climate Commissioner Rod Carr has said to Newsroom: *"While the rest of the world is now getting the benefits of low-emissions businesses, low-emissions products and services, low-emissions ways of living, we're sitting there going, 'No, we're just planting'."*
  The Commission's draft Emissions Reduction Plan advice for the second carbon budget period 2026-30 focuses heavily on the need to cut gross emissions - strongly encouraging moving away from New Zealand's focus on planting trees.
- Climate Analytics Australia in its February 2023 report '*Why offsets are not a viable alternative to cutting emissions*' states that: '*The scientific evidence makes it clear that not all offsets are the same. Forests and other natural ecosystems and soils, in both Australia and globally, provide vital carbon stores that need to be protected for their biodiversity ecosystem services values and to ensure their carbon stores are not released to the atmosphere. However, offsets generated from activities in the land sector are known to be reversible and are particularly susceptible to integrity issues, specifically regarding the genuineness of purported emission reductions, their additionality, and their permanence. Therefore, using them to offset fossil fuel emissions is risky.*'
- Climate Analytics Australia summarises the science around forestry offsets:
  - Carbon sequestered in forests can be lost to the atmosphere by fire, disease, adverse weather events, and damage from wildlife in early stages of growth.
  - The ability of land to take up carbon depends on climate and local soil and topographic considerations, is limited to the amount previously depleted by land use, and appears likely to be reduced as a consequence of climate change.
  - Worsening drought and extreme fire conditions are likely to reduce the ability of forests globally to uptake, store and hold carbon.
  - Fossil fuel emissions have a very long lifetime in the atmosphere. Each tonne of carbon released into the atmosphere has around 40% remaining after 100 years,

20-25% remaining after 1,000 years, and up to 20% after 10,000 years.

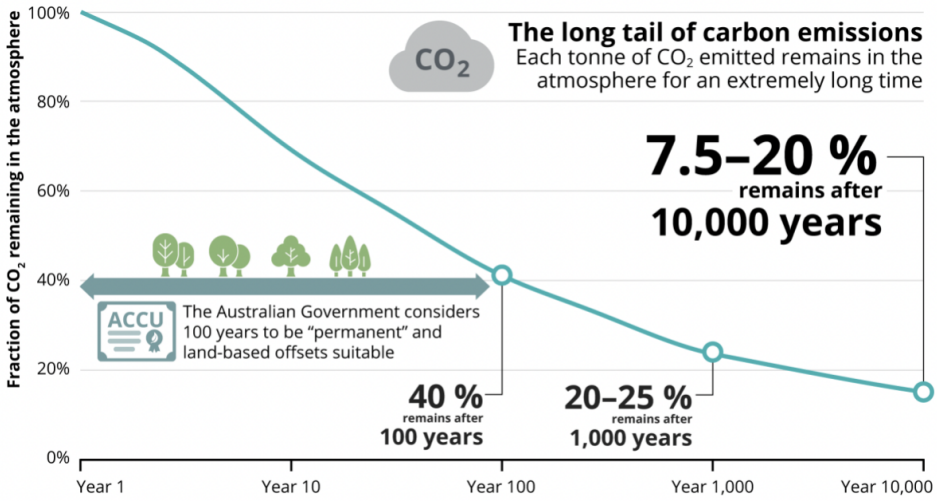


Figure ES2: Fraction of emitted CO_2 remaining in the atmosphere in years after emission up to 10,000 years

(figure from Climate Analytics Australia)

- Land-based offsets do not and cannot guarantee such long-term sequestration.

- Climate Analytics Australia states: '*There are also several other major problems with offsets, including their potential to negatively impact water and food security, ecosystem biodiversity, and the wellbeing and livelihoods of traditional landowners and agricultural producers*'.

However, in creating the new co-governed Carbon Removals Strategy and related Carbon Removals programmes (*see our response to Q.6.4*), fifteen years of forest investments must be to some extent 'grandparented' (cared for) for good faith and for forest sector stability - as carbon removals are removed from the current NZ ETS which becomes the 'Carbon Cuts' ETS focusing solely on trading carbon dioxide cuts. But at the same time, scientific credibility of offsets is paramount, so the value of tree planting, tree protection and other nature-based solutions must reflect the relative impermanence compared to the very long tail of climate pollution harm by fossil fuelled CO2 emissions for over 10,000 years.

Note: The comments above also relate to the current consultation by MfE on the redesign of the ETS permanent forest category. Could MfE please feel welcome to include these comments in that consultation too, and any other material in this submission that is also relevant to permanent forest considerations.

2.4 Do you agree with the summary of the impacts of exotic afforestation? Why/why not?

No

We are not convinced by the statement in the Climate Change Commission's summary of impacts that: "Aotearoa will not be able to achieve either its NDCs or domestic emissions targets without some additional exotic afforestation." We strongly urge that NZ's current and future targets and budgets be met primarily through much greater reductions in gross domestic emissions.

Chapter 3: Driving gross emissions reductions through the NZ ETS

3.1 Do you agree with the case for driving gross emissions reductions through the NZ ETS? Why/why not? In your answer, please provide information on the costs of emissions reductions.

Yes, but…

Not a great track record so far, more tools needed

The Commission acknowledges that the NZ ETS is only one component of the government's "portfolio approach", which also includes regulation, sector plans, direct investment (public and private), innovation and mechanisms that help nature thrive. The Commission's case for the ETS is that it is able to affect a wider range of decisions than would be possible with more targeted emissions reduction policies.

However, as the Commission also acknowledges, **the ETS has not been effective in driving the necessary level of gross emissions reductions** – despite many amendments and reviews to the scheme since 2008 (Motu 2022).

Table 1: Major milestones for the NZ ETS

2007	Apr	Government's Emissions Trading Group began NZ ETS design
2008	Jan	Forestry sector assumed unit obligations (retrospectively)
	Sep	Passage of the Climate Change Response (Emissions Trading) Amendment Act 2008
	Nov	New government began the first NZ ETS review
2009	Jan	Transport sector began voluntary reporting
	Nov	Passage of the Climate Change Response (Moderated Emissions Trading) Amendment Act 2009
2010	Jan	Stationary energy, industrial process and transport sectors began mandatory reporting
	Jul	Stationary energy, industrial process and transport sectors assumed unit obligations
	Dec	Government began the second NZ ETS review
2011	Jan	Waste, synthetic gas and agriculture sectors began voluntary reporting
	Dec	Ban on surrendering industrial-gas CERs took effect
2012	Jan	Waste, synthetic gas and agriculture sectors began mandatory reporting
	Nov	Passage of the Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012
	Dec	Ban on surrendering industrial-gas ERUs and large-scale-hydro ERUs/CERs took effect
2013	Jan	Waste and synthetic gas sectors assumed unit obligations
	Dec	Government announced future delinking of the NZ ETS from the Kyoto market
2014	May	Climate Change Response (Unit Restriction) Amendment Act 2014
2015	Jun	NZ ETS de-linked from the Kyoto market
	Nov	Government began the third NZ ETS review
2016	May	Passage of the Climate Change Response (Removal of Transitional Measure) Amendment Act 2016
2019	Nov	Passage of the Climate Change Response (Zero Carbon) Amendment Act 2019
2020	Jun	Passage of the Climate Change Response (Emissions Trading Reform) Amendment Act 2020
2021	Mar	Quarterly auctioning of NZUs began
	Jun	Fixed-price option no longer applied
	Nov	Government announced a revised 2030 NDC

Source: Leining (2021a). See the Annex for an explanation of acronyms.

Examples of direct investment cited in our response to question 2.2 (at NZ Steel and Fonterra), and others made under the Carbon Neutral Government Programme, highlight the relatively greater effectiveness of direct investment so far. **Regulation is a neglected part of the portfolio.** Mandating energy efficiency requirements for buildings, for example through a rental warrant of fitness, would generate health and equity benefits as well as emissions reductions.

Back to first principles - the NZ ETS rationale

Stepping back, the **reason** for NZ's ETS is to drive efficient climate action by NZ's big climate polluters - at the speed and scale NZ needs now and for the decades ahead. That includes investing in the infrastructure and production best suited for a fast transition to low emissions, net zero, then negative emissions. This is a **'polluter pays' approach** - exposing polluters to the true costs of their climate pollution (aka internalising the externalities), so that as these big climate polluters are primarily profit-driven, they will find the most cost-effective way forward.

Fifteen years later, the task for NZ ETS is bigger, more urgent and dynamic - **NZ's ETS needs an urgent overhaul to be an effective tool** that can be easily managed to get the climate pollution cuts and clean infrastructure investment NZ urgently needs across our economy. The NZ ETS must be overhauled so that it quickly becomes a trading scheme for fast deep carbon cuts amongst NZ's biggest climate polluters - driving deep domestic gross emissions reductions.

This means **taking out the trade-offs that have halted the ETS** for too long and have created huge future risks.

Removals must be removed from the ETS, as the science shows this is absolutely not trading 'apples with apples'. Scientific rigour is the bottom line for all climate action.

Strong fair compensatory measures including full funding must be developed directly in partnership with Māori. This is to ensure that te Tiriti is fully honoured and that those in Aotearoa least able to respond to higher prices (and exposed first and worst to climate changes) (Jones 2015) are able to transition and thrive.

We must stop mistakenly responding to cost-of-living concerns by inadvertently limiting the power of the NZETS to do anything other than operating as corporate welfare. Government must work with low-income households and communities to directly support their transition to a much lower emission future, maximising co-benefits and climate adaptation resilience. This includes direct financial support, so these households and communities are thriving, not threatened, as the big climate polluters covered by the NZ ETS start to rapidly cut their climate pollution. In this way, the Government removes both the immediate cost of living concerns and the increasing invisible costs of living from escalating climate changes, corporate welfare, and offshore credit debt. This is both cheaper and more effective.

After 15 years, that NZ needs to rapidly cut climate pollution is not a surprise…

After fifteen years of ETS operation, NZ's big climate polluters can be assumed to be capable of reading the UN IPCC reports - especially the latest AR6 Synthesis Report (which calls for **rapid, deep and mostly immediate cuts to climate pollution in all sectors this decade - to have half a chance of limiting global overheating to 1.5 degrees, and two-thirds chance for 2 degrees**) and observing the scale of economic and societal losses from Cyclone Gabrielle earlier this year. The direction of travel in cutting climate pollution is obvious.

Industrial allocations must be rapidly phased out so that climate polluters face the full price of their pollution before 2030. Base years for calculating allocations must be immediately updated to 2016-21 (from 2006-09), with regular ongoing updates. The scope for industrial allocations must rapidly reduce, not expand. **Every ETS design element must support this rapid phase out** of corporate welfare. The primary purpose of the NZ ETS is that big climate polluters bear the full cost of their pollution, and so, quickly cut their climate pollution for the safety of all of us. This is a global climate emergency.

Likewise **stockpiled units must be mostly 'vintaged' so these expire within 1-2 years**. At this stage of our global climate emergency, the NZ government has to be able to tighten settings and know that these will push up prices within months.

Concerns about trade exposure are akin to 'frying pan and fire' - either high-emitting competitors will come under intense pressure to cut their climate pollution, or our exporters will face much bigger costly challenges as accelerating global heating destabilises our natural environment, global markets, and global security. This is a race to the top, not to the high-emitting hellish bottom.

Emissions cuts are cheaper than climate changes, cut health sector demand and more

Multiple economists and authorities since Lord Nicholas Stern's landmark 2006 review, including the World Health Organization, Morgan Stanley, UCL, IPCC, and this year the European Union and Deloitte for New Zealand, have published conclusively that the **economic risks from climate changes far outweigh the costs of cutting emissions**, and Hamilton et al. publishing in The Lancet Planetary Health in 2021 demonstrated that across nine diverse nations covering three-quarters of global emissions and half the world's population, **well-designed health-based emissions reductions effectively self-fund by health gains and reduced health sector costs, before even calculating the climate protection savings**. In other words, this is a **double dividend**. There are multiple co-benefits from cutting our climate risk from job creation to energy resilience and much more.

Procrastination challenges

It's been much easier over the last 15 years for NZ's biggest climate polluters to lobby politically for an ineffective NZ ETS to date. And more recently procrastinate with pine planting too. In overhauling the NZ ETS (as described above) so NZ's big climate polluters cut their pollution (gross domestic emissions) at the speed and scale needed in this dynamic global climate emergency, the changes must be made durable over election cycles. So that the NZ ETS increases in ambition in step with UN IPCC reports and NZ's responsibilities as a fair global citizen - no backsliding. This means legislating some structural independence from the election cycle - till at least 2040.

A safer and bigger portfolio of climate tools

Based on the last 15 years, the case for driving emissions reductions through NZ's ETS is relatively weak. If the thorough overhaul recommended above does not eventuate over 2024-25, the government will need to accelerate other wide-ranging climate polluting tools even faster. This portfolio of tools includes regulation, sector plans, direct investment (public and private), innovation and mechanisms that help nature thrive.

Given the NZ ETS track record to date, we cannot afford to rely that much on NZ's ETS, until proven otherwise. Think of market trading versus government regulation as a see-saw - increasing urgency and threat to human well-being means more direct government regulation is needed. New Zealand's recent internationally acclaimed COVID-19 pandemic response is a good example of this - where swift direct action was needed to save many lives and livelihoods. Overhauling NZ's ETS (and strongly signalling this) is urgent, so that big climate polluters

rapidly cut their pollution. But the government must be ready to quickly scale up the other climate tools if the NZ ETS failures continue.

3.2 Do you agree with our assessment of the cost impacts of a higher emissions price? Why/why not?

We agree with the Commission's assessment that, "lower income households tend to spend a greater share of their income on products and services that are affected by emissions prices. That is, an emissions price can have a regressive impact on households". While the Commission states that "It is intended that Aotearoa New Zealand's equitable transition strategy will include initiatives to help reduce some of the costs imposed on households and communities by the NZ ETS", this strategy is yet to see the light of day. The transition challenges for lower income households are compounded by increasingly severe climate change impacts and extra barriers to adaptation for them.

Government must work with low-income households and communities to directly support their transition to a much lower emission future, maximising co-benefits and climate adaptation resilience. This includes direct financial support, **so these households and communities are thriving, not threatened**, as the big climate polluters covered by the NZ ETS start to rapidly cut their climate pollution. In this way, the Government removes both the immediate cost of living concerns and the **increasing invisible costs of living** from escalating climate changes, corporate welfare, and offshore credit debt. This is both cheaper and more effective.

3.3 How important do you think it is that we maintain incentives for removals? Why?

Removals must be removed entirely from the NZ ETS. Trading must have **scientific rigour** - apples with apples. Postponing gross domestic emissions cuts by trading forest plantings is not scientifically defensible. Forestry varies in carbon absorption rates and is extremely impermanent (especially in the face of increasing climate-related wildfires, slips and infestations) compared to carbon slowly leaving the atmosphere over more than 10,000 years. **Please see our response to Q.6.4 and Q 2.3 for more detail on this.**

Chapter 4: Changes to the NZ ETS would be significant for Māori

4.1 Do you agree with the description of the different interests Māori have in the NZ ETS review? Why/why not?

The description is incomplete.

We very strongly agree that Māori have a profound interest in New Zealand's climate response - as Chapter 4 lists: the Crown's Tiriti obligation to respond fully to our global climate pollution

crisis; growing the value of Tiriti settlement land as potentially 40% of forestry land; similarly that 40% of forestry workers are Māori, that whānau Māori have disproportionately less financial capacity to transition to low/no emissions alternatives in response to cost increases; and that half of Māori are under 25 years.

But this description is incomplete - please see Question 4.2.

4.2 What other interests do you think are important? What has been missed?

We add:

- the profound wairua/spiritual and whānaungtanga/kin relationship with Papatūānuku and Ranginui
- stronger valuing of intergenerational equity
- the disproportionate harm from climate pollution - as demonstrated this year with eg. Cyclone Gabrielle particularly affecting Māori communities.

This ETS consultation must acknowledge that the enormous deforestation of Aotearoa after European colonisation is the main reason that New Zealand has had the **highest cumulative per capita emissions since 1850 globally**. If tikanga of the tangata whenua of Aotearoa had been the dominant value and way of life across the country after the arrival of European and other settlers, New Zealand would be in a much better situation right now.

Two centuries of colonisation and **ongoing failure to honour te Tiriti o Waitangi has a very high cost** (Jones 2015; Reid 2022).

To honour te Tiriti o Waitangi, and enable an equitable transition for Māori, the Government needs, at a minimum, to:

- **put Māori interests first**, ahead of other ETS participants
- **eliminate all barriers** for Māori participation
- **create equity for Māori** in NZ's climate response.

4.3 How should these interests be balanced against one another or prioritised, or both?

The Government must legislate that the overall value of Tiriti settlements will be upheld - and that any changes come with full Crown compensation determined in partnership with Māori.

Climate pollution removal must be separated out of the current ETS - like Option 4, but much better. This stops New Zealand's biggest emitters still buying cheap pine so they can keep polluting our climate and postpone the climate-protecting investment needed right now.

There's too much at stake to let the short-term profit interests of New Zealand's biggest polluters decide what trees get planted where simply so they continue business-as-usual.

Timing of trees and other scientifically valid removals is critical from now on, as the world more likely faces a negative emissions future to control how much our planet burns up in heat waves, seas rise in our cities and low-lying islands, and extreme storms flood and smash our communities everywhere.

Splitting out climate pollution removals from the NZ ETS (including forestry with 40% Maori workforce and potentially 40% Maori land interests) means decisions about what gets planted where, why, for how long and who gains, must be co-governed by Māori and Crown to advance Māori interests and other public interests (including better adaptation, diversifying scientifically credible nature-based removals, community resilience, and biodiversity).

4.4 What opportunities for Māori do you see in the NZ ETS review? If any, how could these be realised?

Removing carbon removals from the NZ ETS and recognising the size and value of Māori interests (as in Q4.3 above) is an extremely important opportunity for Māori and Crown co-governance to advance Māori interests and other public interests (including better adaptation, diversifying scientifically credible nature-based removals, community resilience and biodiversity).

Chapter 5: Objectives and assessment criteria

5.1 Do you agree with the Government's primary objective for the NZ ETS review to consider whether to prioritise gross emissions reductions in the NZ ETS, while maintaining support for removals? Why/why not?

Yes and No…

Yes - **prioritising gross domestic carbon dioxide emissions reductions** in the NZ ETS should be not just 'considered', but adopted, while protecting and advancing Māori interests…

No - **remove support for removals** out of the NZ ETS, please see heading 'Removals must be removed entirely from the NZ ETS' below.

Prioritising gross domestic carbon dioxide emissions reductions in NZ's ETS

Early climate pollution cuts protect our climate the best - as emissions cumulate and remain active for decades and beyond 10,000 years. The science is clear that the longer the delay till global emissions peak – and the slower the initial downward trajectory – the sooner New Zealand will need to reach net zero emissions and then negative emissions.

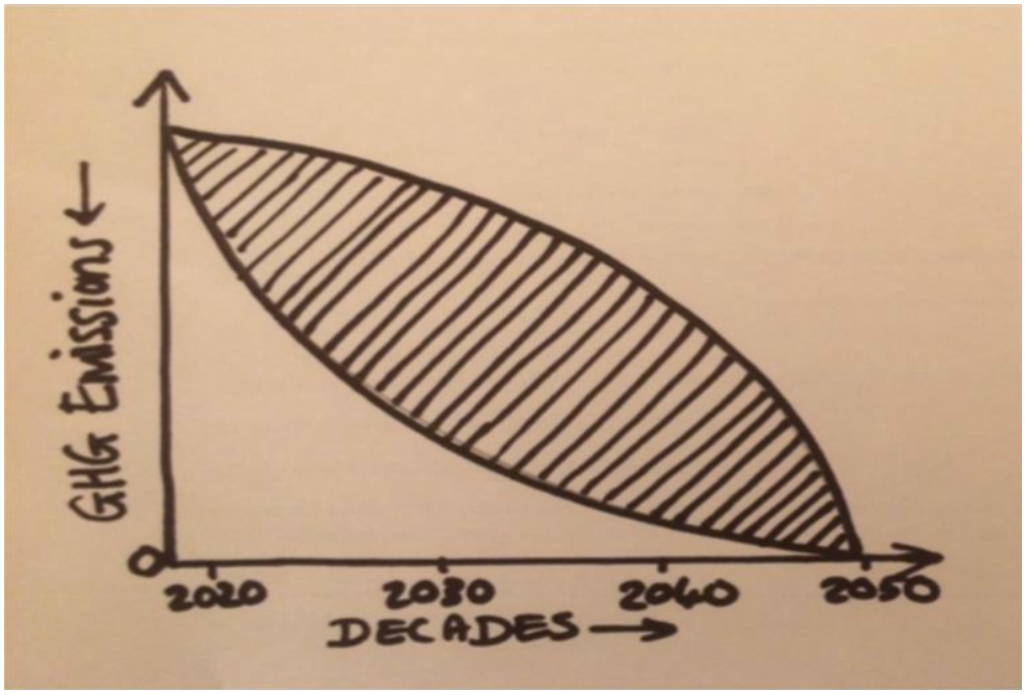
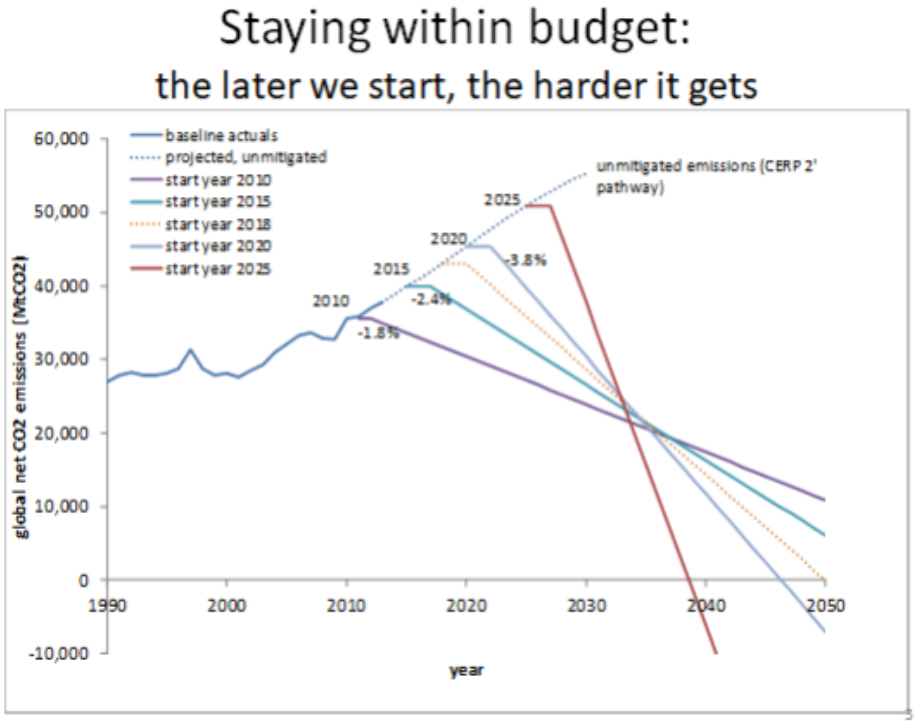


Figure: Whether emissions reach zero rapidly or slowly strongly impacts the total emissions budget. This is because total emissions (the area-under-the-curve) are much more under a slow decrease (the top curve), than a fast decrease (the bottom curve). Emissions are cumulative - lasting hundreds or tens of thousands of years. Each tonne we emit today, tomorrow and over the days and years that follow, limits our future. Note that the decadal scale on the x axis is now much too dangerously slow for NZ.



The current NZ ETS must be used to rapidly drive NZ's big climate polluters to cut their carbon dioxide pollution at the scale and speed needed according to the IPCC AR6 Synthesis Report, and NZ's responsibilities as a fair global citizen (see also responses to Q6.4 and Q2.3) (Metcalfe 2015, CS Equity Review). This carbon dioxide cutting ETS could be renamed something like '**NZ Carbon Cuts ETS'**.

Different gases, different approaches - 'apples, pears, and oranges'

NZ's three big climate polluting gases differ in power and timing of damage - **'apples, oranges and pears'**. This means **separate limits and plans for each of these gases**.

The world has focused on carbon dioxide (from burning coal and gas - 'fossil fuels') as this gas becomes a thick blanket around our planet trapping heat for tens of thousands of years after the fossil fuels are burnt. This fossil fuelled climate pollution must end fast (through NZ's new Carbon Cuts ETS), but quick cuts to NZ's methane and nitrous oxide matter too.

A new tightly capped biogenic methane ETS must also be quickly established (in partnership with Māori) to trade climate pollution cuts of agricultural methane and organic waste methane. This will enable NZ to meet (and preferably exceed) our Global Methane Pledge of 30% cuts by 2030. The 30% pledge is the average global ambition - and there is a strong argument that faster methane cuts beyond 30% by NZ are fairer, so that nations who rely on subsistence cattle and rice paddies for basic food survival, can move slower than the Global Pledge 30% average. Although methane stays as a blanket for just 12 years, methane warms and expands oceans for much longer, and methane is 25 times more potent than carbon dioxide. **Quick methane cuts are increasingly seen as a valuable tool** as the world gets too close to 1.5 degrees of global heating. This is the task of **NZ's new Methane Cuts ETS**.

Note that **fossil fuel methane leaks (pipes, gas wells, and mines) must phase out fast through direct legislation**. Likewise with synthetic nitrogen fertiliser supplied by just two main companies, **direct regulation to quickly phase out nitrogen fertiliser** makes more sense. Here in NZ, nitrous oxide (N_2O) from farm fertiliser for a few decades is now 10.7% of our climate pollution problem, blanketing our planet for 114 years, and 265 times more potent than carbon dioxide. Synthetic nitrogen fertiliser must phase out by law, so this potent source of climate pollution is eliminated by 2030.

BUT:
Removals must be removed entirely from the NZ ETS

Trading must have **scientific rigour** - trading 'apples with apples', not 'apples and trees'. Postponing gross domestic emissions cuts by trading forest plantings is not scientifically defensible.

Forestry varies in carbon absorption rates and is extremely impermanent (especially in the face of increasing climate-related wildfires, slips and infestations) compared to carbon slowly leaving the atmosphere over 10,000+ years.

The overwhelming **permanence** challenges, lost opportunities for **diversifying nature-based removals**, and trading **prices driving perverse outcomes**, all mean removing removals from the NZ ETS asap.

The reality is that all big climate polluters must quickly cut their pollution now - so the trading is limited to trading rates of carbon dioxide reduction, not procrastinating with pine and other plantings. There will be some variations in the cost-effective rate of carbon dioxide cuts amongst traders, hence the Carbon Cuts ETS continues as a means of facilitating that. So a company may choose to buy NZ units for a year or more from another company that is already quickly decarbonising, because in terms of life cycle emissions, it makes more sense to delay investment in cleaner infrastructure closer to replacement time. Or a year or so is needed to fully embed new processes, or change the product range, or source cleaner suppliers.

But the overall direction of travel is that climate pollution is increasingly unaffordable. This resembles a (deadly serious) game of musical chairs. The atmospheric capacity for climate pollution is rapidly disappearing - and arguably has already been dangerously exceeded. Delays are costing more and more of the world's citizens and our ecosystem dearly.

NZ simply cannot afford an ETS that tweaks - **our economy needs transformation to thrive over the years and decades to come**. Some industries will invest in cleaner production, others will diversify their products or scale down production, and others may simply be too polluting to continue. NZ can't change atmospheric physics, but we can cut climate pollution from our economy - and we must.

Please see our responses to Q.6.4 and Q2.3 for more detail on this.

5.2 Do you agree that the NZ ETS should support more gross emissions reductions by incentivising the uptake of low-emissions technology, energy efficiency measures, and other abatement opportunities as quickly as real-world supply constraints allow? Why/why not?

Not exactly

As below in our response to Q5.4, NZ simply can't afford an ETS that 'tweaks' - **our economy needs transformation to thrive over the years and decades to come**. Some industries will invest in cleaner production, others will diversify their products or scale down production, and others may simply be too polluting to continue. NZ can't change atmospheric physics but we can cut climate pollution from our economy - and we must.

The focus must shift from detailed attempts to model small incremental changes on the status quo influenced by surveying NZ's big climate polluters, to **clearly signalling the direction of travel**. The travel message is that NZ's big climate polluters will pay the full price of their pollution before 2030, and NZ expects to be facing negative emissions closer to 2030 than 2050 to safeguard our economy from the greater chaos and instability in our environment, overseas markets and increased global conflicts. To keep updated on overall direction, follow the IPCC reports.

Signalling this direction of travel is NZ's best chance of driving innovation here, and fast adoption of international innovation. The reality is that some companies will clean up their production, others will scale back higher emissions products, and some production may cease, as new companies and products arise. Delaying this transformation of NZ's economy only makes the road ahead harder and less manageable.

Note that in our response to Q5.4, we propose alternative assessment criteria and key considerations.

5.3 Do you agree that the NZ ETS should drive levels of emissions removals that are sufficient to help meet Aotearoa New Zealand's climate change goals in the short to medium term and provide a sink for hard-to-abate emissions in the longer term? Why/why not?

No
The incentives should strongly favour gross emission reductions because "we can't plant our way out of climate change"

5.4 Do you agree with the primary assessment criteria and key considerations used to assess options in this consultation? Are there any you consider more important and why? Please provide any evidence you have.

No, we strongly disagree.

These criteria and considerations contradict and automatically set up NZ's ETS for failure. When trade-offs feel tough, because the criteria and considerations being traded off are all incredibly important - then it's time to step back and look for better alternatives to avoid the trade-off situation.

Primary criteria - remove removals from NZ ETS to focus on gross carbon dioxide cuts

Firstly, for the trade-off between incentivising gross domestic emissions reductions and incentivising removals - take the removals out of NZ's ETS, so the primary assessment criteria become simply **'Fast cuts to carbon dioxide pollution by NZ's big climate polluters'**. 'Fast cuts' are defined as at the scale and speed demanded by IPCC Assessment Reports, the 2023 Global Stocktake, and NZ's responsibilities as a fair global citizen.

Given NZ's current commitment is but a fraction of our fair global effort, and the huge economic costs of climate changes (even those costs demonstrated in our own backyard this year), there is **virtually no risk of NZ's ETS driving gross emissions cuts too quickly**. The economic costs of climate change far outweigh the costs of climate action - which can be cost-neutral or even create savings when co-benefits are calculated, let alone the savings from climate change avoidance.

Because 'polluter pays' is the overall intent of an ETS, **NZ's biggest climate polluters must bear the full cost of their climate pollution before 2030** - which means phasing out industrial allocations, stockpiled units and all design features that protect polluters from the full costs of their polluters. This also **incentivises innovation** across our economy and speeds up adoption of globally emerging innovation here.

NZ simply can't afford an ETS that tweaks - **our economy needs transformation to thrive over the years and decades to come**. Some industries will invest in cleaner production, others will diversify their products or scale down production, and others may simply be too polluting to continue. NZ can't change atmospheric physics, but we can cut climate pollution from our economy - and we must.

The analysis focus must shift from detailed attempts to model small incremental changes on the status quo influenced by surveying NZ's big climate polluters, to **clearly signalling the direction of travel**. The travel message is that NZ's big climate polluters will pay the full price of their pollution before 2030, and NZ expects to be facing negative emissions closer to 2030 than 2050 to safeguard our economy from the greater chaos and instability in our environment, overseas markets and increased global conflicts. To keep updated on overall direction, follow the IPCC reports.

The world will know within years whether limiting global heating within humanly adaptable levels of around 1.5 degrees is still feasible - and if not, NZ too will experience profound harm to mental health and social cohesion.

Please see our responses to Q6.4 and Q2.3 for more detail.

Key considerations for assessing options

These six considerations also contradict and automatically set up NZ's ETS for failure. **We propose four considerations** - three reworded and one new consideration.

We support the first consideration 'Supports meeting NDC' as the top priority but describing this as **'The NZ ETS plays a fair share in achieving current and future NDCs, and ensuring NZ's economy and infrastructure is optimised for the negative emissions decades ahead'**. This is with the caveat that NZ's NDCs must reflect our responsibilities in fairly contributing to the global effort to limit global heating within the humanly adaptable 1.5 degrees.

At the moment, our current NDC commitment is a mere fraction of what's fair as a high emitting relatively well-off nation.

The **second consideration must be 'Ensures NZ's big climate polluters pay the full pollution price before 2030'**, with the description 'All industrial allocations, stockpiled units and all design features that protect polluters from the full costs of their polluters, will be phased out before 2030.'

The **third consideration becomes: 'Gives effect to te Tiriti o Waitangi'** with the existing description 'Changes to the ETS together with complementary measures co-designed with Māori, give effect to the five principles of te Tirit o Waitangi'. These complementary measures include co-governance of the Carbon Removals Strategy and related Carbon Removals programmes.

The **fourth consideration**, which is secondary to the first three considerations, is **'Improves the functionality of the NZ ETS market'.** The description becomes: 'Better functionality of the NZ ETS market which is assessed along two dimensions: primarily (i) better capacity of government to adjust price settings and volumes to drive the scale and speed of climate pollution cuts needed within months; and secondly (ii) ease of participation by big climate polluters.' This recognises the rapidly changing dynamic nature of our global climate emergency - and the government need for fast precision control of emissions cuts to match emerging climate science reports, plus responding to and encouraging global cooperation.

These four considerations will also apply to the new Methane Cuts ETS.

The **'Managing overall costs to the economy and households' consideration paralyses the ETS** - the whole point is that costs of climate pollution increase so that the polluter pays and is incentivised to cut their pollution. As per Q 3.2 - Government must work with low-income households and communities to directly support their transition to a much lower emission future, maximising co-benefits and climate adaptation resilience. This includes direct financial support, **so these households and communities are thriving, not threatened**, as the big climate polluters covered by the NZ ETS start to rapidly cut their climate pollution. In this way, the Government removes both the immediate cost of living concerns and the **increasing invisible costs of living** from escalating climate changes, corporate welfare, and offshore credit debt. This is both cheaper and more effective.

5.5 Are there any additional criteria or considerations that should be taken into account?

Please see our above answer to Q5.4 - especially that the **new second consideration must be 'Ensures NZ's big climate polluters pay the full pollution price before 2030'**, with the description 'All industrial allocations, stockpiled units and all design features that protect polluters from the full costs of their polluters, will be phased out before 2030.' We also recommend (see Q5.4 above) changing the wording of the remaining considerations and their descriptions. With removals removed from NZ's ETS, there should be just one primary criteria -

‘**Fast cuts to carbon dioxide pollution by NZ’s big climate polluters’**. ‘Fast cuts’ are defined as at the scale and speed demanded by IPCC Assessment Reports, the 2023 Global Stocktake, and NZ’s responsibilities as a fair global citizen.

Chapter 6: Options identification and analysis

6.1 Which option do you believe aligns the best with the primary objectives to prioritise gross emissions reductions while maintaining support for removals outlined in chapter 5?

Option 4 is the least worst option, but we strongly urge the adoption of **Option 4+** as outlined in Q6.4 below.

6.2 Do you agree with how the options have been assessed with respect to the key considerations outlined in chapter 5? Why/why not? Please provide any evidence you have.

Option 4 is the least worst option, but we strongly urge the adoption of **Option 4+** as outlined in Q6.4 below.

Please also note our analysis of the primary criteria and key considerations, and proposed alternatives in Q5.4 above - especially our proposed single primary criteria of ‘Fast cuts to carbon dioxide pollution by NZ’s big climate polluters’ and three primary considerations: ‘Supports meeting the NDC’, ‘Ensures NZ’s big climate polluters pay the full pollution price before 2030’, and ‘Gives effect to te Tiriti o Waitangi’ plus one secondary consideration: ‘Improves the functionality of the NZ ETS market’.

6.3 Of the four options proposed, which one do you prefer? Why?

Option 4 is the least worst option, but we strongly urge the adoption of **Option 4+** as outlined in Q6.4 below.

6.4 Are there any additional options that you believe the review should consider? Why?

Option 4 - with additions! Call this **Option 4+ with four essential dimensions**.

In summary:

- **Option 4+ consists of two tightly capped separate trading schemes for carbon dioxide cuts and methane cuts at the speed and scale NZ now needs.**
- **International traders are excluded.**

- **The co-governed Carbon Removals Strategy and related Carbon Removals programmes means New Zealanders all get a say in what gets planted where, for how long, and why.**
- **Laws phase out both synthetic nitrogen fertilisers and fossil-fuelled methane leaks by 2030.**
- **Direct investment and co-governance structures ensure that the interests of iwi,**
- **Māori and low-income households are safeguarded, as ETS changes drive rapid deep cuts and stop dinosaur decisions by all NZ's big climate polluters.**
- **The new laws take time - but good early publicity prompts faster changes.**

The Details:

1. NZ's 'Carbon Cuts' ETS

NZ's new 'Carbon Cuts' ETS **cuts climate pollution by all NZ's big carbon polluters**. The ETS must simply stop dinosaur decisions and push the carbon pollution cuts at the scale and speed needed now. This also **incentivises the clean infrastructure, products and processes NZ needs** to thrive in the coming years and decades ahead. Investing here in gross carbon pollution cuts here in NZ has a multiplier benefit for our economy, that includes jobs.

More ambitious domestic emissions reductions are needed so that **our government doesn't face a bill of billions of dollars for offshore credits in 2030** to cover the big polluters' failure to clean up. Other government agencies are expected to spend within tight budgets (for example, Pharmac's 2022/23 $1.186 billion community medicines budget), yet at the moment The Treasury is estimating the costs of purchasing overseas credits in 2030 as around $3.3-$23.7 billion - effectively a blank taxpayer cheque. There are also serious concerns about the permanence and additionality of offshore credits (United Nations Environment Programme, CAN International Position on Carbon Offsetting, Rosane, Kajosaari, Bloomberg, The Guardian). CAN-International opposes these. New Zealand has failed to fund our fair share of Climate Finance to pay well-funded Loss and Damage reparations for the least culpable nations who are unfairly hurt first and worst. With fair funding of Climate Finance and Loss and Damage reparations, and accelerating adaptation challenges here in Aotearoa, there will be little capacity, if any, to fund offshore credits.

The ETS settings deliberately drive up the penalty pollution price yearly from 2024 - so that all big carbon climate polluters face the full price of their pollution by 2030. (Ideally: this means minimal carbon pollution by 2030, and good clean infrastructure for 2030 onwards. Worst case: enough cash for our government if buying a few safe offshore credits keeps our international promises to cut climate pollution).

NZ's 'Carbon Cuts' ETS setting changes include:

(i) 5-year schedule to steadily cut 60-90% polluter discounts to zero by 2030 so that 'industrial allocation' free units are gone - no more subsidies. These are clearly unaffordable given the other increasing climate-related demands on government funds.
(ii) Vacuuming up the stored carbon units that risk pushing prices down - by 'vintaging' over 1-2 years. This means the 130 million units bought by big climate polluters at rock bottom prices (and kept to let them pollute 130 million more tonnes later) will be worthless after 2024-25.
(iii) Ensure the carbon penalty price goes up fairly steadily to full price by 2030, by carefully controlling the overall unit volumes traded each quarter and the minimum price.

The new setting changes mean no more planting pines procrastination - this NZ 'Carbon Cuts' ETS is for fast cuts to carbon climate pollution here in NZ over the next 5 years. Carbon pollution that lasts for thousands of years threatens a flourishing environment for every generation, including the generations living now - NZ's big climate polluters must not be allowed to cause this much harm.

International investors must be clearly and strongly excluded from this NZ Carbon Cuts ETS.

2: The co-governed Carbon Removals Strategy and related Carbon Removals programmes

There are many important reasons to take 'removals' out of NZ's current ETS asap (also covered elsewhere in the consultation question responses):

● As discussed at length in Q2.3 and elsewhere, there are serious concerns about forestry's scientific validity as removals. Especially permanence as carbon dioxide takes over 10,000 years to fully leave the thickening blanket of climate pollution that's overheating our world.

● No one can afford now to leave carbon removals to our big climate polluters as a cheap way to avoid pollution cuts - or offshore investors. Putting removals into government hands means we all get a say as to what gets planted where, for how long, and for what reason - not a few big polluters. There's still a place for pines (and other exotics) - but not to avoid pollution cuts.

● Te Tiriti must be respected by co-governance of the Carbon Removals Strategy and related Carbon Removals programmes - noting 40% of forested land will be in Māori hands and so far, 40% of forestry workers are Māori. The government must honour Tiriti settlements and find ways with Māori to protect and grow their value, including agreed compensatory measures.

● Burning and cutting so much of the native forests that originally covered Aotearoa from 1850 onwards, has made NZ the biggest climate polluter (per person) in the world (cumulative per capita emissions 1850-2021). It's time to clothe Papatūānuku again by restoring her native forests and wetlands and protect her precious biodiversity from introduced predators and climate pollution.

● The years and decades ahead are challenging - cutting climate pollution as fast as we can everywhere, plus planting trees and more to remove climate pollution safely and quickly remove pollution. We may soon need to remove more climate pollution than we add to the atmosphere 'net negative emissions' - optimising the use of our country's land is critical.More climate

pollution increases wildfires, landslides and infestations that threaten even ‘permanent forests’, and forests remove less carbon as the years pass (versus the fossil fuelled carbon pollution that sadly lasts tens of thousands of years).

● We need to use **every safe climate pollution removal tool we can - and skillfully, including optimising co-benefits**. Honouring Papatūānuku, thriving biodiversity, protecting communities facing extreme events, creating good jobs and beautiful places for all to thrive. Native forests, rewetting wetlands, predator control, soil sequestration, and more, in co-governance hands will better stabilise carbon removal (and multiple co-benefits including resilience and employment), while carbon continues to blanket and overheat our planet for millenia. As discussed in Q 7, **scientific rigour is essential in considering all removals and their contributions** - as well as risks and co-benefits.

● The co-governed Carbon Removals Strategy and related Carbon Removals programmes would be funded by income from the ‘Carbon Cuts’ ETS and the new methane trading scheme - plus the spending avoided by fixing the broken NZ ETS. Other ethical income sources can be added - including individuals, families, hapu, iwi, communities, institutions, and companies big and small, contributing time, energy, ideas, expertise, research, resources, land and funding. Although motivations will vary from pure altruism to image, no-one must be rewarded with carbon credits from contributions to removals - we cannot afford to delay the scale of real gross domestic emissions cuts needed now.

● **Fifteen years of forest investments are to some extent ‘grandparented’ (cared for) for good faith and for forest sector stability** - as removals are removed from the current NZ ETS. This grandparenting is **tempered by scientific rigour** in assessing the value and relative permanence of various types of removals. In no case, can a removal tonne be credited as fully compensating for a tonne of carbon dioxide, given the longevity of this gas across millennia.

3. Cutting methane and nitrous oxide as our other two big climate-polluting gases

In 2020, NZ’s climate pollution was almost all from 3 dangerous gases - carbon dioxide at 43.7%, methane close behind at 43.5%, and 10.7% nitrous oxide.

(i) The new Biogenic Methane Cuts ETS

● **Quick methane cuts are increasingly seen globally as a valuable tool as the world gets too close to 1.5 degrees of global overheating**, and tipping points taking climate change out of our control. Although methane stays as a blanket for just 12 years, methane warms and expands our oceans for much longer (as somewhat of an ‘own goal’ for highly coastal NZ), and methane is at least 25 times as powerful as carbon dioxide.

● NZ has signed the Global Methane Pledge committing 30% methane cuts by 2030. This is the task of a **tightly capped methane trading system for farm and organic waste ‘biogenic’ methane.** Methane pollution must drop each year - sooner the better. There are no offsets, no delays.

● In fairness, **NZ's biogenic methane could be cut even faster than the world 30% by 2030 average** - as other nations rely on subsistence cattle and rice paddies for basic food survival, and arguably are entitled to lower than 30% methane cuts to contribute to the global effort.

● This biogenic methane trading system must be built in partnership with tangata whenua, based in mātauranga Māori.

(ii) Legislation to cut fossil fuelled methane and synthetic nitrogen fertiliser

● Fossil fuel methane leaks (pipes, gas wells, mines) must be phased out by law before 2030.

● NZ is a big nitrous oxide climate polluter from a few decades' farm fertiliser, this nasty gas is 265x more potent than carbon while it blankets and overheats our planet for 114 years. Nitrogen fertiliser can be replaced by organic alternatives for better soil health.

● Legislation to phase out synthetic nitrogen fertilisers to zero by 2030 will drive big cuts in nitrous oxide. This legislative approach is instead of a nitrous oxide trading scheme, as there's basically just two main suppliers of synthetic nitrogen fertiliser in NZ (Ravensdown and Ballance).

4. Other strong tools to cut climate pollution at the scale and speed we need

Other tools are needed as 'carrots and sticks' for real fast changes. The government now needs **many strong precision tools that can be quickly applied and adjusted** in this fast-changing climate emergency.

● An ETS is **only one type of tool** to cut climate pollution. Health co benefits, for example, although substantial and effectively giving a double dividend by health sector savings and avoided climate changes, are not really priced into NZ's ETS. This means the government must prioritise a 'health in all policies' approach across all agencies to optimise the considerable gains from well-designed health-centred climate policies and programmes. For example, Hamilton et al. publishing in The Lancet Planetary Health in 2021 demonstrated that across nine diverse nations covering three-quarters of global emissions and half the world's population, **well-designed health-based emissions reductions effectively self-fund by health gains and reduced health sector costs, before even calculating the climate protection savings**.

● Too often, concern about rising prices for households has stopped the ETS doing exactly what this trading scheme is meant to - increase the cost of climate pollution to drive our big climate polluters to quickly cut and clean up their pollution. **Lower income households need direct income protection from the government plus other strong support measures to easily switch and thrive with low emissions living - so the ETS is finally free to do the job of cutting climate pollution fast.** NZ's big climate polluters make many millions of dollars of profit - they already have the resources to cut their pollution. That's why the support must go directly to low-income households - who are also being hurt first and worst by climate changes, and one way or another will experience the costs of government's corporate welfare if this continues. Cutting both the visible costs of living and invisible climate costs of living for low-income households is critically important.

● Another delay for decent ETS pollution pricing has been concern about overseas competitors - a **carbon border tax** is a quick fix to even things up. Instead, let's be inspired by the best, and like the new EU trade deal, keep our Paris promises to cut pollution and support slower countries to speed up.

● From the bigger picture perspective, concern about overseas high-emitting competition is a **'frying pan and fire**' situation. Either these high emitting competitors will come under increasing pressure from multiple sources to cut their world-endangering climate pollution - or the economic damage and societal breakdown from escalating climate changes fuelled by tipping points will dwarf any competition concerns. NZ depends on the world to stabilise climate changes - our exporters depend on a stable natural environment, stable global markets and international political stability. Our best bargaining chips are our efforts to cut climate pollution here at home, and the innovation that spurs.

● NZ also urgently need **'stick' laws that actually stop or tightly control fossil fuel use,** because carbon dioxide continues as climate pollution for tens of thousands of years. This includes legislating to phase out all fossil fuel mining and extraction to zero before 2030.

● **'Carrot tools' include direct government investment and incentives to grow low pollution alternatives** - especially working in partnership with Māori, low-income communities, and looking for win-wins for everyone. For example, cheap, convenient, safe shared and active transport cuts climate pollution and healthcare costs and frees up land.

● There'll be **so many other more pressing demands on government spending ahead** - more extreme events more often (like this year's cyclone); climate finance to support less wealthy countries to cut climate pollution; plus loss and damage financial support for countries and communities hit first and worst by climate changes caused by wealthier countries. It's time to free up the ETS to do the job well - and direct government spending where this is really needed, low-income households and communities, not corporate welfare for NZ's big climate polluters.

● For the first 15 years despite reviews and amendments, the NZ ETS has struggled to do its job. This appears partly due to trade-offs that paralyse the ETS's ability to raise prices. We have strongly recommended **structural changes that split out the functions of the current NZ ETS** to two separate tightly capped trading schemes for carbon dioxide cuts and biogenic methane cuts respectively, removing removals from the ETS to the co-governed Carbon Removals Strategy and related Carbon Removals programmes, legislating to phase out synthetic nitrogen fertiliser, fossil fuelled fugitive emissions and fossil fuel extraction.

● Further steps may be needed to **depoliticise** the ETS so that price settings are clearly linked to external climate emergency changes as reported by the IPCC in their assessment reports - or some similar non-partisan arrangement. These changes must drive the rapid decarbonisation of NZ's economy and our contribution as a fair global citizen to limiting global overheating within 1.5 degrees.

6.5 Based on your preferred option(s), what other policies do you believe are required to manage any impacts of the proposal?

Please see our response to Q6.4 above.

6.6 Do you agree with the assessment of how the different options might impact Māori? Have any impacts been missed, and which are most important?

With our proposed Option 4+ as above, the focus must now be ensuring, in partnership with Māori, that the design and implementation of Option 4+ prioritises mātauranga Māori, tino rangatiratanga, and te Tiriti, especially ensuring co-governance so that Māori land and other interests are protected and thrive, and that Māori do not disproportionately suffer in transition.

Chapter 7: Broader environmental outcomes and removal activities

7.1 Should the incentives in the NZ ETS be changed to prioritise removals with environmental co-benefits such as indigenous afforestation? Why/Why not?

This question becomes irrelevant as we strongly urge the removal of removals from NZ's ETS as our proposed **Option 4+**. See more detail in our response to Q6.4 and Q2.3. The scale, speed and range of removals are instead managed by the new co-governed Carbon Removals Strategy and related Carbon Removal programmes.

However, in terms of mātauranga Māori, interconnecting human health and natural environments and relative permanence, we do support prioritising indigenous afforestation and greater protection of indigenous forests from predators. The mechanisms for this must be included in the new Carbon Removals Strategy and related Carbon Removals programmes.

We respect the spirituality and relatedness of indigenous forests and ecosystems, plus multiple co-benefits. These co-benefits include nurturing native wildlife, the wide health gains from outdoor recreation, visitor attractions supporting local jobs, and increased resilience to extreme weather events such as flooding, droughts or fires.

7.2 If the NZ ETS is used to support wider co-benefits, which of the options outlined in chapter 6 do you think would provide the greatest opportunity to achieve this?

Of this consultation's proposed options, Option 4 - Separate emissions removals from gross emissions incentives, is the least worst.

However, we strongly urge the **removal of removals from NZ's ETS as outlined by our proposed Option 4+**. See more detail in our responses to Q6.4 and Q2.3. The scale, speed and range of removals are instead managed by the new co-governed Carbon Removals Strategy and related Carbon Removal programmes.

7.3 Should a wider range of removals be included in the NZ ETS? Why/Why not?

This question becomes irrelevant as we strongly urge the removal of removals from NZ's ETS as our proposed Option 4+. See more detail in our responses to Q6.4 and Q2.3. The scale, speed and range of removals are instead managed by the new co-governed Carbon Removals Strategy and related Carbon Removal programmes.

However, we strongly urge **ramping up research conducted in partnership with mana whenua** into the sequestration potential of nature-based solutions (such as wetlands, which were largely eliminated during Aotearoa's colonisation).

7.4 What other mechanisms do you consider could be effective in rewarding co-benefits or recognising other sources of removals? Why?

The new co-governed Carbon Removals Strategy and related Carbon Removal programmes would include **a range of mechanisms** to incentivise an even wider range of removals with multiple co-benefits. The Voluntary Carbon Market (VCM) should be included in this - but not as a market, but rather a chance for many New Zealanders to get involved in healing Papatūānuku. This includes individuals, families, hapu, iwi, communities, institutions, and companies big and small, contributing time, energy, ideas, expertise, research, resources, land, and funding.

Although motivations will vary from pure altruism to image, no-one must be rewarded with carbon credits from contributions to removals - we cannot afford to delay the scale of real gross domestic emissions cuts needed now. As described in Q2.3 and elsewhere, the scientific concerns around removals permanence and actual removal scale over time, means **carbon dioxide removals must not be traded for delays in cutting gross domestic emissions** (regardless of which greenhouse gas). Carbon dioxide takes over 10,000 years to disappear from our atmospheric blanket of carbon pollution overheating our world.

Note that the Carbon Neutral Government Programme must urgently switch to rapidly cutting gross emissions, not offsetting with credits from NZ or international removals. This programme must be renamed as the Carbon-Free Government Programme (or similar title - there is no place for Carbon Neutral now). Similarly, international traders must not be permitted to claim carbon credits from any support of this new Carbon Removals Strategy and related Carbon Removal programmes.