

Re: NZ ETS Review Consultation

In our submission on New Zealand's Climate Change Targets we highlighted the threats that climate change poses to water, wastewater and storm-water systems. These include inundation of coastal assets from rising sea levels, water scarcity in some regions from drought and increases in the number of flooding events as the intensity frequency and duration of rainfall events increases.

As the ETS is our central mechanism for achieving our mitigation targets we believe the review should address how it can be structured to enable New Zealand to achieve our contribution to the global goal of limiting temperature rise to two degrees of warming this century. We reiterate the need for strong central government action on climate change to ensure the sustainable management of New Zealand's water environment.

Specific comments on questions posed in the ETS Review Discussion Document are listed here.

2. What other factors should be addressed by the review

We believe any review of the ETS should address how all of New Zealand's emission sources will be mitigated, including biological emissions from agriculture.

In the 2011 ETS review the Government indicated that the agriculture sector would have surrender obligations in the NZ ETS if our trading partners make more progress on tackling their emissions in general and there are economically viable and practical technologies to reduce emissions.

Paris agreement signals the commitment of our trading partners to progress tackling their emissions on general. The ETS consultation piece outlines a number of emission reduction opportunities for agriculture. Additional opportunities exist to transition from high emission intensity forms of agriculture (such as dairying) to those with lower emission intensity (such as horticulture). On this basis it is incumbent on New Zealand to reconsider have surrender obligations included in the ETS.

9. Do you consider the future cost of emissions in your business planning?

Emissions from urban water supplies principally relate to indirect greenhouse gas emissions from consumption of purchase of electricity. They currently spend around xx a year. Other emissions sources include onsite use of fuels (including gas and diesel) for treatment and conveyance of water and wastewater, and fugitive emissions from wastewater treatment plant.

It is our assertion that cost of emissions is not accounted for in business planning decisions. The 2014-15 National Performance Review Wastewater (an annual benchmark of water and wastewater service provision) only xx of the 41 councils participating had information on the energy use of their water and wastewater systems. Fugitive emissions from wastewater are not covered by the existing ETS, and there is no driver or resources for treatment providers to assess or understand their emissions.

It is therefore our assertion that the future costs of emissions are not being considered in business planning for water and wastewater system operations.

16. If international units are eligible for NZ ETS compliance in the 2020s, should any of the following restrictions be placed on their use?

a) restrictions on where units can be sourced from (location of and/or types of projects)

Yes. Restrictions that would make New Zealand less competitive. E.g. wind turbines in China, give industry lower power and cheaper prices.

Not ethical. E.g. large scale hydro that wouldn't be able to proceed in NZ

b) restrictions on how many units can be surrendered

Yes. We need local emission reduction opportunities attractive.

21. Do you think measures should be in place to manage price stability? Yes/No/Unsure

Yes. To realise opportunities for emissions reduction through water and wastewater infrastructure must be managed over long time frames. Accordingly price stability is an important aspect for any investments that are to be made in water and wastewater infrastructure.

22. What do you consider are important factors for managing price stability?

Both upper and lower price limits.

26. Are there any barriers or market failures that will prevent the efficient uptake of opportunities and technologies for reducing emissions?

While opportunities to reduce emissions in water and wastewater systems are large when considered collectively, most water and wastewater systems are operated by small territorial councils meaning individually the emissions reduction opportunities are small. On this basis there are unlikely to be administrative resources within councils to generate ETU's.

In addition fugitive emissions from wastewater are not captured by the scheme so no incentive exists to reduce these emissions. Such emissions could be mitigated through changes in treatment processes (for example the emerging annamox process reduces fugitive from nitrogen) or biogas capture and reuse.

27. If so, is there a role for the Government in addressing these barriers or market failures and how should it do this?

Working through the EECA to share knowledge on energy efficiency and biogas reduction opportunities. Shared procurement approaches. Recent work underway in Watercare could be a starting point.

The government may also want to publish methodologies for determining fugitive emissions so these sources can be included in the scheme in time.

Kind Regards