

Summary - Submission to the Market Governance of the Emissions Trading Scheme (ETS) consultation

Ministry for the Environment | February 2023

Summary of HortNZ's submission

HortNZ supports a robust market governance framework with a regulator to ensure the efficiency, integrity and confidence in the NZU (New Zealand Units) market.

Our growers are concerned that extra regulation of a market to trade NZU's will result in an extra administrative burden. Growers receiving free industrial allocations of NZU's who wish to trade these in a market situation need to be able to do so without an overly burdensome administrative process.

Our submission is structured around the four topics and are focused on the following:

- HortNZ would like growers, particularly those growers receiving free industrial allocations to be able to continue the current practice of surrendering units to genuinely off-set carbon costs direct to energy suppliers. If growers are only able to trade units through a market system may have unintended tax implications
- Growers receiving free industrial allocations of NZU's may need to purchase additional units to off-set total emissions. Minimum NZU bundles need to be small enough to facilitate practical use for growers that works within their current business practice and cashflow. This is especially important if smaller growers are unable to transfer industrial allocations direct to suppliers and need to sell units through a separate process.
- HortNZ believe horticultural businesses who receive free allocations and participate in the scheme have dedicated in-house knowledge, such as accountants and finance teams, or use external specialist consultants. To require trades of units to occur via a financial advisor places an additional cost and process, growers should be able to trade NZU's in their own right.
- Eligible EITE growers receiving free industrial allocations use them for their intended purpose – to genuinely offset additional growing costs associated with the ETS
- HortNZ supports the position that no further AML/CFT Act obligations would apply to the NZU market beyond what already applies today. This highlights how the AML/CFT Act already captures activities of interest within the NZU market to deter money laundering and financing of terrorism.