

# The NZ Emissions Trading Scheme

The NZ [Emissions Trading Scheme \(ETS\)](#) is New Zealand's primary response to global climate change. It puts a price on greenhouse gases to provide an incentive to reduce emissions, invest in energy efficiency, and plant trees.

This section provides general information about the ETS and how it may affect you.

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# Why we have the NZ ETS

Under the [United National Framework Convention on Climate Change \(UNFCCC\)](#) and the [Kyoto Protocol](#), New Zealand has commitments to reduce its greenhouse gas emissions.

The Government has chosen the New Zealand [Emissions Trading Scheme \(NZ ETS\)](#) as its primary tool to reduce emissions, as it is the least-cost way of reducing emissions. The NZ ETS puts a price on emissions and therefore creates a financial incentive for all New Zealanders – especially businesses and consumers – to [change our behaviour](#). The NZ ETS provides an incentive to:

- reduce emissions
- invest in clean technology and renewable power generation, and
- plant trees.

## Our choices

An emissions trading scheme moves the cost of emissions onto those who cause them. It creates a market around reducing emissions, and so provides us with more flexibility than a simple carbon tax. Twenty-eight other countries already have a national emissions trading scheme, while a number of other countries, including China and South Korea, plan to launch a national scheme in the coming years. A number of state-level emissions trading schemes, including California, have also been launched in North America.

## Our clean green brand

As well as helping New Zealand do its fair share in cutting emissions, the NZ ETS will strengthen the country's clean green brand – an important issue for a small trading nation like New Zealand as international markets and consumers increasingly demand environmentally friendly products.

## The global effort

New Zealand actively participates in international UNFCCC negotiations, with an aim of reaching a post-2020 global climate change agreement that will bring all major emitters, developed and developing, within the same legal framework.

New Zealand is also exploring opportunities to directly link with other domestic carbon markets, and develop a linked carbon market in the Asia-Pacific region.

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## Emissions Trading Scheme basics

The New Zealand Emissions Trading Scheme (ETS) is the system in which [New Zealand Units \(NZUs\)](#) are traded. Under the ETS, certain sectors are required to acquire and surrender NZUs or other [eligible emission units](#) to account for their direct greenhouse gas emissions or the emissions associated with their products.

### What's the point?

The [purpose of the scheme](#) is to help reduce New Zealand's emissions to below business-as-usual levels and help New Zealand meet its international obligations under the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) and the [Kyoto Protocol](#). This is achieved by establishing a price on emissions, which creates a financial incentive for emitters to reduce their emissions.

### Who is involved? How does it work?

[Most New Zealanders](#) won't participate directly in the scheme. They may notice a small increase in energy prices as organisations that emit gases pass on their increased costs.

People and organisations who do [participate directly](#) will do so in different ways:

- some [have to surrender NZUs](#) (or other eligible emission units) to the Government – eg, companies that mine natural gas, as this will emit greenhouse gases when it is used

- some [earn NZUs](#) from the Government – eg, owners of forests that absorb greenhouse gases

- some [are given NZUs](#) by the Government – eg, companies that might face significant increases in energy costs, and be unable to pass

These groups and others can then trade NZUs, as those with spare NZUs sell them to those who have to surrender NZUs.

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