



The New Zealand Emissions Trading Scheme

ETS 2012 Amendments: Synthetic Greenhouse Gases

The Government has made amendments to the New Zealand Emissions Trading Scheme (ETS) through the passage of the Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012.

This information sheet provides guidance on the key changes for the Synthetic Greenhouse Gases (SGGs) sector.

The SGG levy

The Government has removed the ETS obligation on the importation of SGG in goods and motor vehicles and replaced it with a levy that is linked to the carbon price and transition measures.

The levy is implemented in two ways. Motor vehicles are covered under the levy, which applies when a motor vehicle is first registered for on-road use in New Zealand. This part of the levy is administered by the New Zealand Transport Agency (NZTA).

All other goods are covered under the levy which applies at import and is administered by the New Zealand Customs Service (Customs).

Sulphur hexafluoride (SF₆) obligation on user

The SF₆ emissions obligation, both in bulk and in goods, stays within the ETS, but the point of obligation has moved from importer to large user. This provides for a fairer treatment of this emissions source because ETS costs will now occur when the

gas is actually emitted, rather than when they are imported.

A large user is defined as being over one tonne of SF₆ installed in all equipment that is being used by a specific person or company.

The provision for export or destruction of SF₆ is no longer necessary as the point of obligation has been moved to the user.

Exporting SGG

From 1 January 2013 anyone who exports SGG (including hydrofluorocarbons – HFC, perfluorocarbons – PFC, and SF₆) will receive units as a removal activity. The Government has removed this ability from SF₆ exporters (as their obligation will be on the user), and applied the following criteria to exporters of HFCs and PFCs:

- if the person exporting bulk HFC/PFC or HFC/PFC contained in goods is a manager of a product stewardship scheme accredited under the Waste Minimisation Act 2008, or
- all the components of the bulk HFC/PFC exported (or if the HFC/PFC was imported in goods, the goods themselves) were imported after 31 December 2012.

The first criterion recognises the efforts of the activities of the Trust for the Destruction of Ozone Depleting Substances (The Trust). Without the voluntary efforts of The Trust, New Zealand would have had greater emissions of SGG and ozone depleting substances.

The second criterion stops a person importing before 1 January 2013, when there are no ETS costs, and re-exporting after 31 December 2012, when they can receive units for export.

Wilful release of SGG

The Government has banned the wilful release of SGG from particular sources and activities. This is restricted to penalising anyone who knowingly or without lawful justification or excuse releases SGG into the atmosphere while installing, operating, servicing, modifying, or dismantling any electrical switchgear or refrigeration or air-conditioning equipment or other heat-transfer medium.

Releasing SGG is different from it being leaked, as leakage happens over the natural course of a product at a slow rate. Wilfully releasing SGG refers to substantial amounts of SGG being knowingly released, such as all the SGG in a fridge being released through poor servicing practices. This addresses particular market failures and mirrors controls on leakage of ozone depleting substances.

Removing exemptions

To ensure ETS obligations remain in line with New Zealand's international obligations, the Government has removed exemptions from the ETS that currently apply to two SGG: HFC-245fa and HFC-365mfc. New Zealand currently reports, as part of our obligations to the United Nations Framework Convention on Climate Change and the Kyoto Protocol, on the emissions of the greenhouse gases listed by the Second Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). HFC-245fa and HFC-365mfc are not listed in the IPCC Second Assessment Report and are therefore currently exempt from the ETS. However, New Zealand agreed at the 2011 United Nations Climate Change Conference that from 1 January 2013, the reporting and accounting of greenhouse gases will use the updated Global Warming Potentials (GWPs) from the IPCC 4th Assessment report. Therefore, the justification for the exemption is no longer valid.

Wider amendments that may impact the SGG sector

The SGG changes are part of wider changes the Government has made to the ETS. Some wider changes that may affect the SGG sector include:

- continuation of 'one for two' surrender obligation after 2012
- continuation of the \$25 fixed price option
- update of Global Warming Potentials (GWPs)
- the introduction of auctioning within a cap.

Further information

Further information on the Government's changes to the ETS, including Q&As and information on implications for other sectors, can be found at: <http://www.climatechange.govt.nz/emissions-trading-scheme/>.

For more information on the SGG sector in New Zealand, please visit:

<http://www.climatechange.govt.nz/emissions-trading-scheme/participating/synthetic-gases/>.

For a full list of updated Global Warming Potentials please visit the IPCC website at:

http://www.ipcc.ch/publications_and_data/ar4/wg1/en/ch2s2-10-2.html.

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