Climate change

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Reviewed: 06/09/17

About the New Zealand Emissions Trading Scheme

This page provides an overview of the New Zealand Emissions Trading Scheme.

Aim of the NZ ETS

The New Zealand Emissions Trading Scheme (NZ ETS) is the Government's principal policy response to climate change.

Its objective is to support and encourage global efforts to reduce greenhouse gas emissions by:

- assisting New Zealand to meet its international obligations
- reducing New Zealand's net emissions below business as usual levels.

For how the NZ ETS fits within the wider climate change work programme see New Zealand's climate change work programme (//www.mfe.govt.nz/climate-change/reducing-greenhouse-gas-emissions/new-zealand%E2%80%99s-climate-change-work-programme).

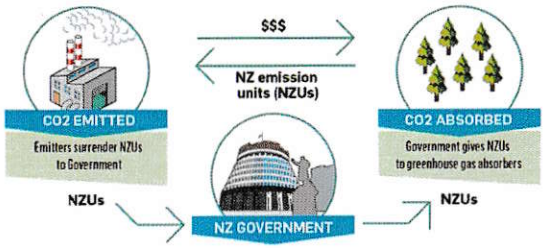
How the NZ ETS works

The NZ ETS puts a price on greenhouse gas emissions. This price on emissions is intended to create a financial incentive for businesses to invest in technologies and practices that reduce emissions. It also encourages forest planting by allowing eligible foresters to earn New Zealand emission units (NZUs) as their trees grow and absorb carbon dioxide.

The NZ ETS requires all sectors of New Zealand's economy to report on their emissions and, with the exception of biological emissions from agriculture, to purchase and surrender emissions units to the Government for those emissions. Just over half of New Zealand's greenhouse gas emissions are covered by NZ ETS surrender obligations.

An emission unit represents one metric tonne of carbon dioxide, or the carbon dioxide equivalent of any other greenhouse gas. Currently, the only eligible emissions unit in the NZ ETS is the New Zealand Unit (NZU).

Diagram 1: Simplified illustration of how NZU trading can take place



Impact on households and businesses

The NZ ETS does not require households to surrender emission units. However, households feel some of the effects of the scheme as the businesses that are involved pass NZ ETS costs on to consumers.

The point of obligation in the NZ ETS (ie, the participant in the scheme) is as far upstream in the supply chain as possible. This means most businesses in New Zealand are not required to be participants in the NZ ETS.

For example, for transport fuels the obligation is placed on the companies importing the fuel, rather than on the end user. This makes it possible to cover the whole sector without trying to directly target the millions of private cars in New Zealand.

2015/16 review of the NZ ETS

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For more information on the review see About the New Zealand ETS review 2015/16 (//www.mfe.govt.nz/nzets/about-nz-ets-review).