



BP Oil New Zealand Limited

Submission on the Emissions Unit Settlement and Futures Bill

**SUBMISSION TO COMPETITION, TRADE AND INVESTMENT BRANCH,
MINISTRY OF ECONOMIC DEVELOPMENT ON
EMISSIONS UNIT SETTLEMENT AND FUTURES BILL.**

1. BP Oil New Zealand Limited (BP) welcomes the opportunity to provide the Ministry of Economic Development with a submission on the Emissions Unit Settlement and Futures Bill.
2. Due to the highly technical nature of this Bill's subject matter and limited period of notification we are not in a position to make an extensive evaluation and therefore more detailed submission. We therefore seek clarification and assurance that the structure of the Bill does not create an impediment to the many different channels of trade utilised in sourcing emission units.
3. New Zealand has few options to generate credits for purchase and credit demand will be substantially greater than supply. Under the terms and conditions of the New Zealand Emissions Trading Scheme, BP will become one of the largest purchasers of carbon credits in New Zealand. Compliance at the lowest cost will be the primary driver for the purchases and such our approach is one of order fulfilment through many channels as opposed to simply trading on a futures market. Due to the scale of CDM credits required these will need to be sourced through various markets and channels of trade, most likely covering the diverse range of credit development and risk. To that end we seek assurance that the structure of the Emissions Unit Settlement and Futures Bill does not restrict the ability to use Over the Counter (OTC), Broker and Bilateral fulfilment of Obligation as means of acquiring credits. Our concern is that the Bill indicates that a New Zealand clearing house may get regulatory priority, this is inappropriate when the majority of purchases will need to come from alternative means.
4. We are pleased to see that emission units are not deemed to be security. However, there is a risk that forward physical contracts are confused with future contracts (with the regulatory implications that follow). This should be clarified in the Bill.

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