



# **MOTOR TRADE ASSOCIATION**

**Submission To**

**Ministry of Economic Development**

**On**

**Consultation on the Draft Emissions Units,  
Settlement systems And Futures Bill**

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10 March 2008

Caroline Ramsey  
Manager Financial Sector  
Competition, Trade and Investment Branch  
Ministry of Economic Development  
P O Box 1473  
Wellington 6011

Dear Sir / Madam

Submission: **Consultation on the Draft Emissions Units, Settlement systems And Futures Bill**

This submission is from:

Motor Trade Association (Inc)

P O Box 9244

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The contact person in respect of this submission is:

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Thank you for the opportunity for MTA to provide comment on; **Consultation on the Draft Emissions Units, Settlement systems And Futures Bill**, regarding the views of and its effect on the Automotive industry.

Yours sincerely



Nick Hill  
Membership Development Manager

## Introduction

The Motor Trade Association (Inc) (MTA) which represents approximately 4300 businesses in the automotive industry takes this opportunity to convey our views on this critical strategy which will have an effect on the automotive air conditioning sector of our industry. As well as the knock on effect of the general carbon charge regime in the wider sense.

We have considered the main sections of the submission made by Business New Zealand and have decided to adopt the main points of that document. In considering our views on this particular topic we took the following fundamental business precepts into account:

Competition	The impact of any decision must ensure an adequate local competitive environment, but more importantly must not impact negatively on New Zealand's global competitive position.
Regulations	Varying forms of regulation have different impacts and effects on the economy. MTA would encourage a range of regulation which includes guidelines, Codes of Practice and Light Legislation to create pictures and goals in the road ahead. "Hard and Fast" regulations tend to be contemplated negatively so constrain economic progress.
Consumer Choice	Any decision that removes the ability for consumers to make choices is likely to require compromise. Consumer choice should be tempered with good information and education.
Influencing Behaviour	MTA supports behavioural influence and suggests this is better achieved through many small initiatives. We also believe there is no room for messages without substance, and by this we mean the public must be made to believe in the objectives to the extent they want to meet their obligations.
Good Outcomes	Successful change environments are based around sound believable and practical implementation. Conversely hasty decisions have the potential to produce less than desirable results.
Transparency	Government should be open and transparent in providing incentives, tax relief or credits to induce investment and influence consumer behaviour.
Targets	Targets should follow the 'SMART' principle and be specific, measurable, attainable, realistic and timebound.
Technology	New Zealand as a generalisation is a technology taker in the transport and energy arena. We should not look to lead change; rather adopt sensible well tried technologies, practices and processes.
Maximise Trade Opportunities	Where we can add value this should not be discouraged, however overall consideration should always be given to our competitive advantages as a country.
Enforcement	All too often rules and regulations are created in isolation of a perspective on how they will be enforced, resulting in sectors of society wilfully avoiding their social responsibility. Enforcement mechanisms need to be established as a backup to ultimately enforce initiatives which have wide approval as a common good for NZ.
Long Term Perspective	Such a system must extend beyond any electoral cycle and be sustainable on the long haul.

## General Comments

It is apparent there is a desire to enter into international trading markets quickly which is of concern to MTA as we see the same pattern of haste emerging in a similar manner to biofuels where reliance on embryonic or immature overseas markets is evident.

Our responses will be of a general nature but cite the Business New Zealand Submission where a particular view is appropriate and their views comment on the technical elements of the Bill or market practices.

## Emissions Unit, Clearing & Settlement Bill Consultation - key issues

### Process

1. We are encouraged to see consultation but are concerned that cabinet decisions have been already made based on consultation with a single commercial party (NZX) refer POL-(07)-382 paragraph 82 and the overt support to a single entity NZX *"providing them with the assurances they require to continue to develop the TZ1 emissions trading platform."* refer CAB-(07)-632 paragraph 87.

### Context

2. Consultation Paper Section 1, Introduction Emissions Trading Scheme;
  - a. We support legislative changes that will improve the operation of NZ's financial markets and therefore in principal we support the concept of a designated settlement system; however
  - b. This is a broader market issue and should be consulted on a full and open basis covering all markets and potential instruments, including foreign exchange, fixed income, energy and commodities.
  - c. We are surprised that the wider market measures are directly linked to emission units, leading to some stakeholders perhaps not recognizing the wider implications and making ill informed decisions.
  - d. Also we are surprised that that ETS issues are not being dealt with separate from these wider market measures as part of the primary NZ ETS legislation

### Primary Objective

3. We note the primary objective is to retain full flexibility in the manner in which emission units can be traded and to:
  - a. Seek to avoid overly regulated or a single provider trading market and,
  - b. Seek to preserve a suite of options as exhibited overseas.

The Business New Zealand submission which we fully endorse goes on to cover the finer details of local and international emissions trading.

### Conclusion

Once the outcomes of this particular consultation are apparent, government must embark on another round of consultation of other trading models which includes a robust cost benefit assessment to compare these strategies with the economic realities within our small economy.