

# **Climate Change Response (Extension of Penalty Transition for Forestry Activities with Low Volume Emissions Liabilities) Amendment Bill**

Government Bill

## **Explanatory note**

### **General policy statement**

The Climate Change Response (Emissions Trading Reform) Amendment Act 2020 introduced a revised penalties and compliance regime that came into force for most New Zealand Emissions Trading Scheme (**NZ ETS**) participants on 1 January 2021. The new regime included a new surrender or repayment penalty that applies to NZ ETS participants who fail to surrender or repay units to the Crown by the due date.

The application of the new surrender or repayment penalty was deferred for emissions before 1 January 2023 from NZ ETS forestry participants with a net liability of less than 25,000 units per year (**small forestry participants**). This deferral was due to the risk of serious hardship to small forestry participants if the penalty applied to them, given the size of the penalty (set at 3 times the price of carbon set in regulations for each unit not surrendered, with no discretion to reduce it), and the personal assets that they hold. The excess emissions penalty (set out in section 134 of the Climate Change Response Act 2002 as it read before 1 January 2021) has continued to apply to small forestry participants in respect of activities carried out before that date.

This Bill will extend the current deferral arrangement until the end of 2024 by amending the Climate Change Response Act 2002. This means the excess emissions penalty will continue to apply to activities carried out by small forestry participants before 1 January 2025. The risk of serious hardship identified in 2020 persists for small forestry participants. The extension will mitigate that risk while a new surrender or repayment penalty for small forestry participants is finalised and allows time for participants to be educated and informed of changes before the implementation of the new penalty, which is intended to be effective from 1 January 2025.

### Departmental disclosure statement

The Ministry for Primary Industries is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2022&no=175>

### Regulatory impact statement

The Ministry for Primary Industries produced a regulatory impact statement in July 2022 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of this regulatory impact statement can be found at—

- <https://www.mpi.govt.nz/dmsdocument/52462-Interim-regulatory-impact-statement-Consultation-on-options-to-amend-the-surrenderrepayment-penalty-for-small-forestry-participants-in-the-New-Zealand-ETS>
- <https://treasury.govt.nz/publications/informationreleases/ris>

### Clause by clause analysis

*Clause 1* is the Title clause.

*Clause 2* is the commencement clause. The Bill comes into force on the day after the date on which it receives the Royal assent.

*Clause 3* provides that the Bill amends the Climate Change Response Act 2002 (the **principal Act**).

*Clause 4* amends clause 17 of Schedule 1AA of the principal Act. The amendments extend the period of the transition provided for persons with low volume liability for emissions related to forestry activity. The transition deals with when the liability regime introduced by the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 for failing to surrender or repay units by the due date applies to this class of person. The transition is extended to activities carried out before 1 January 2025.

*Hon James Shaw*

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## **Contents**

	Page
1 Title	1
2 Commencement	1
3 Principal Act	1
4 Schedule 1AA amended	1

### **The Parliament of New Zealand enacts as follows:**

#### **1 Title**

This Act is the Climate Change Response (Extension of Penalty Transition for Forestry Activities with Low Volume Emissions Liabilities) Amendment Act **2022**.

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#### **2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent.

#### **3 Principal Act**

This Act amends the Climate Change Response Act 2002.

10

#### **4 Schedule 1AA amended**

- (1) In Schedule 1AA, in the heading to clause 17, replace “**2023**” with “**2025**”.
- (2) In Schedule 1AA, clause 17(1)(b)(i), replace “1 January 2023” with “1 January 2025”.

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- (3) In Schedule 1AA, clause 17(1)(b)(ii)(C), after “in this Act”, insert “or secondary legislation made under this Act”.

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Wellington, New Zealand:

Published under the authority of the New Zealand Government—2022