

Annex 2: Comparison of Fiscally Neutral ETS Amendment Scenarios (Assumes an international carbon price of NZ\$25.)

Options & Settings	Effective Price Range July 2013 (\$NZD/tCO _{2e})	Effective Price Range July 2014 (\$NZD/tCO _{2e})	Price Cap July 2015 (\$NZD/tCO _{2e})	Increase in Electricity Price in 2013 (vs no ETS) [NZ\$]	Increase in Average Petroleum Price in 2013 (vs no ETS)	Average additional energy costs - farms 2013 (vs no ETS)	Average additional energy and obligation costs - farms 2015 (vs no ETS)	Total additional energy costs business 2013 (vs no ETS)	Average additional energy costs - households 2013 (vs no ETS)	Amount of Pre-1990 2nd tranche allocation released	Amount of Pre-1990 offsetting allowed	Comment
Australian Carbon Price Proposals (For Comparison Purposes)	\$31.05 (no allocation) -\$2.09 (high allocation)	\$32.66 (no allocation) -\$2.59 (high allocation)	\$51	2.3c/KWh approx (wholesale)	Not applicable or no data.							
Panel Recommendations: Transition phase: 67% obligation 2013, 83% obligation 2014. Fixed price option raises \$5pa. Pre-1990 forest offsetting. 2 nd tranche pre-1990 allocations clawed back only from those who take up offsetting. Agriculture enters 2015, with transition phase.	\$16.75 (no allocation) -\$1.84 (high allocation)	\$20.75 (no allocation) -\$2.49 (high allocation)	\$40	0.9c/KWh approx	4.3c/litre approx	\$1,600pa (Sheep & Beef) -\$4,400pa (Dairy)	\$3,900pa (Sheep and Beef) \$8,300 (Dairy)	\$465m [0.3% GDP]	\$176pa [0.2% average gross income]	Depends on uptake of offsetting	Unlimited or at a high capped annual rate	Fiscal costs \$580m 2013-18. Fiscal risks \$280m-\$3bn. Withheld under Section 59(2)(j)
FISCALLY NEUTRAL OPTION 1 Status Quo: Transition phase ends 2013. No pre-1990 offsetting. No agriculture transition phase (or subject to later review).	\$25 (no allocation) -\$2.75 (high allocation)	\$25 (no allocation) -\$3 (high allocation)	No price cap	1.3c/KWh approx	6.5c/litre approx	\$2,400pa (Sheep & Beef) \$6,700pa (Dairy)	\$5,500pa (Sheep & Beef) \$9,900pa (Dairy)	\$702m [0.4% GDP]	\$266 pa [0.4% average gross income]	100%	None	Highest cost impositions for covered sectors, but still lower than Australia. Few Panel recommendations adopted.
FISCALLY-NEUTRAL OPTION 2 As Panel's recommendations but: All of 2 nd tranche of pre-1990 allocations clawed back. Withheld under Section 59(2)(j)	\$16.75 (no allocation) -\$1.84 (high allocation)	\$20.75 (no allocation) -\$2.49 (high allocation)	\$40	0.9c/KWh approx	4.3c/litre approx	\$1,600pa (Sheep & Beef) -\$4,400pa (Dairy)	\$3,900pa (Sheep & Beef) \$8,300 (Dairy)	\$465m [0.3% GDP]	\$176pa [0.2% average gross income]	0%	Unlimited	Withheld under Section 59(2)(j)
FISCALLY-NEUTRAL OPTION 3 Limited offsetting, faster phase out transition measures. Settings used: Transition phase: 75% obligation 2013, 100% 2014. Limited pre-1990 forest offsetting capped at 2,000 ha per annum & reviewed before 2015. 50-60% 2 nd tranche pre-1990 allocations clawed back. No agriculture transition phase (or subject to later review).	\$18.75 (no allocation) -\$2.06 (high allocation)	\$25 (no allocation) -\$3 (high allocation)	\$40	1c/KWh approx	4.9c/litre approx	\$1,800pa (Sheep & Beef) -\$5,000pa (Dairy)	\$5,500pa (Sheep & Beef) \$9,900pa (Dairy)	\$525m [0.3% GDP]	\$199 pa [0.3% average gross income]	40-50%	2,000 ha per annum	Panel's recommendations 'watered down'. Withheld under Section 59(2)(j)