

The New Zealand Petroleum Conference - Emissions Trading and the Petroleum Sector

March 2008

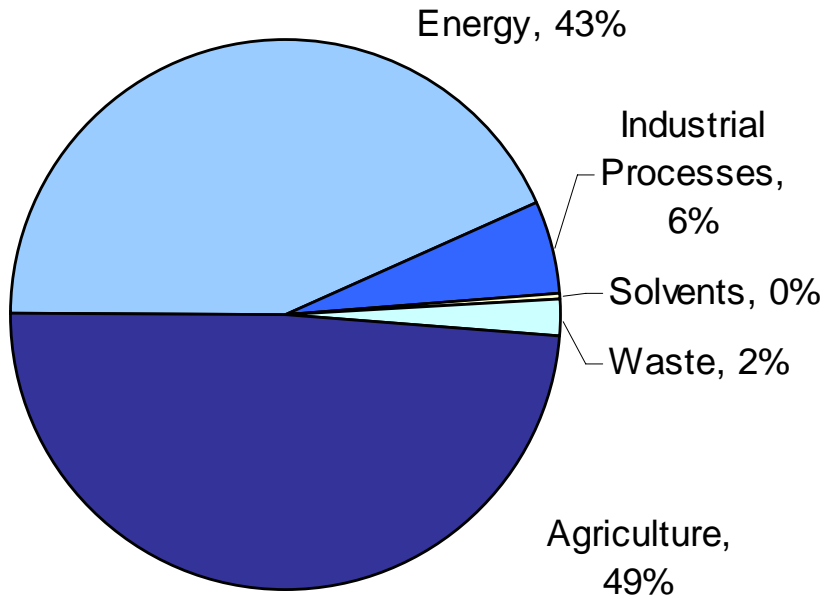


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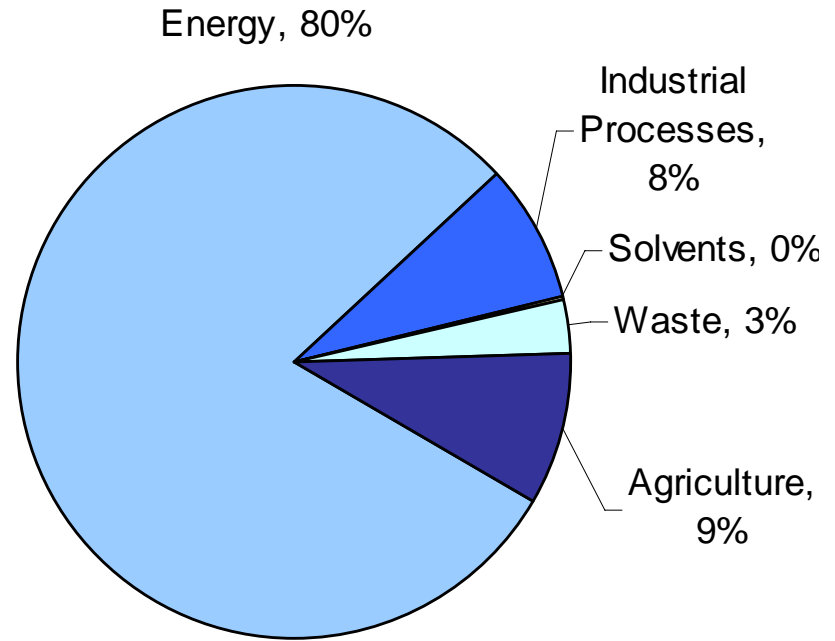
- New Zealand's Emissions Trading Scheme (ETS)
- Petroleum Sector and the ETS
- Petroleum Company Issues

Emissions Profile

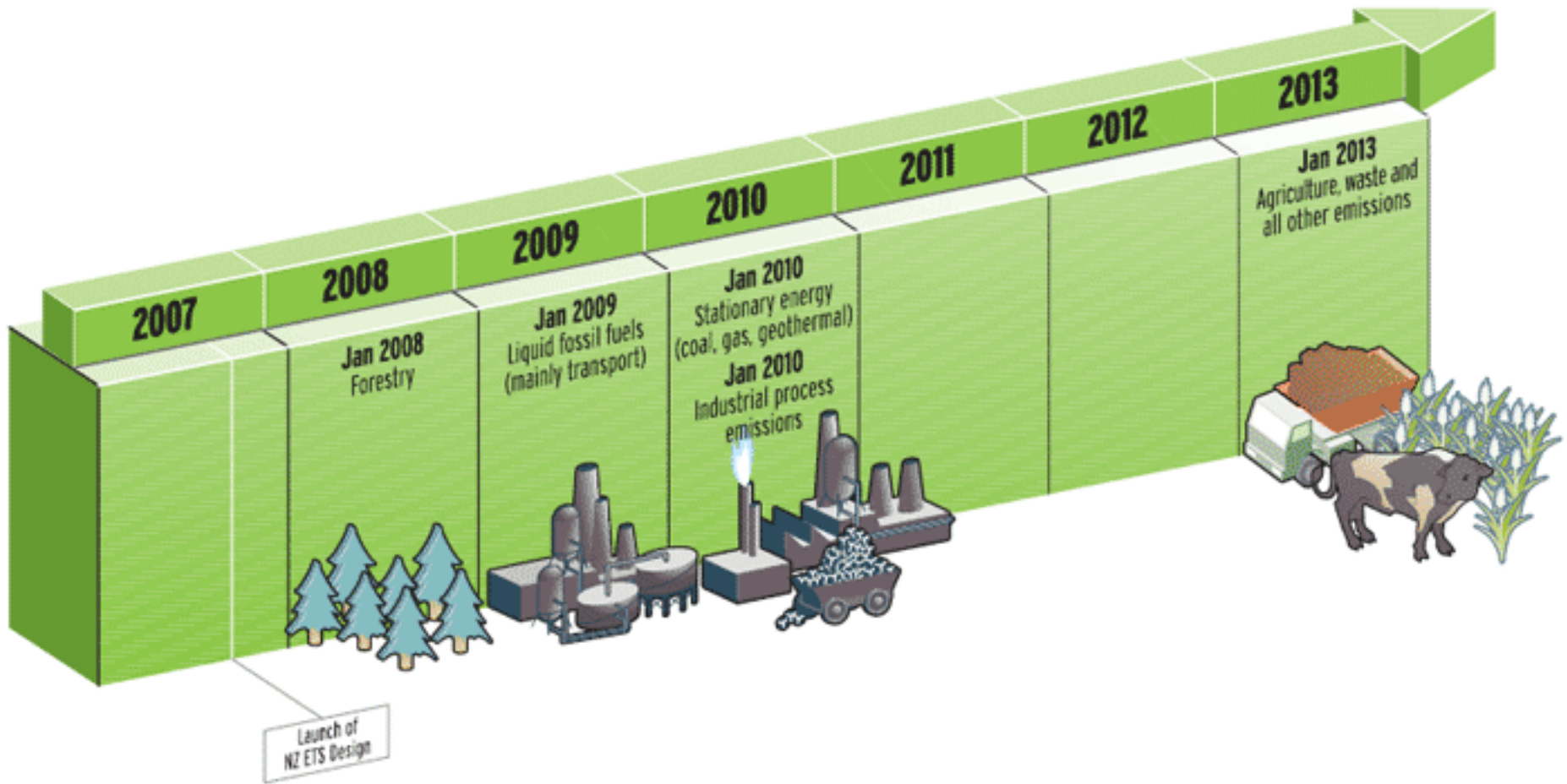
New Zealand – 2005



EU – 2005



Timing and Phasing of ETS



Source: *The Framework for a New Zealand Emissions Trading Scheme*

New Zealand ETS – Key Issues

- Unit of Trade – ‘NZU’
 - domestic unit
 - backed by a Kyoto unit in the EUR
 - bank, but not borrow
 - can surrender Kyoto units for compliance



New Zealand ETS – Key Issues

- International Linkages
 - creates liquidity
 - alignment with international Kyoto markets
 - price caps?
 - types of credits (some restrictions)



New Zealand ETS – Key Issues

- Obligation
 - who is required to surrender units?
 - not necessarily the emitter – need to balance
 - cost,
 - coverage,
 - feasibility,
 - incentives.



New Zealand ETS – Key Issues

- Allocation
 - potentially the most controversial area
 - who gets assistance ...
 - able to pass on these increased costs?
 - profit impacts – loss of competitiveness?
 - stranded assets?



Petroleum Sector – Implications of the ETS

- Upstream Obligation
- Emissions (CO_2 and CH_4) from coal, gas and geothermal
- Exemptions
- Carve-outs



Petroleum Company Issues

- Carbon management strategy
- Compliance
- Tax Issues
- Accounting
- Treasury



Summary

- ETS is underway
- Legislation in progress
- Implications
 - Some business will have obligations
 - Need to develop strategy for managing exposures and meeting obligations

