

18 November 2018

Quintin Tahau
General Manager
emsTradepoint
22 Boulcott Street
WELLINGTON

Sent via email: supportdesk@emstradepoint.co.nz

Dear Quintin

Carbon options paper

First Gas Limited welcomes the opportunity to make a submission to emsTradepoint on its *Carbon options paper* released on 9 October 2018.

We are also making this submission on behalf of Gas Services NZ Limited (GSNZ), an affiliated company with common shareholders that owns and operates the Ahuroa Gas Storage facility and has agreed to purchase the Rockgas LPG business from Contact Energy.

First Gas is a significant participant in the gas market, purchasing large volumes of gas for balancing purposes on our transmission system. Our primary focus is ensuring a liquid market for natural gas.

Overarching comments

First Gas agrees with emsTradepoint's conclusion that the current arrangements under the Emissions Trading Scheme (ETS) do not facilitate the separation of carbon on an anonymised trading platform. Having the liability for carbon surrender sitting solely with gas producers makes any changes very onerous and complex, if downstream parties seek to directly manage their carbon obligations. In particular, the description given by emsTradepoint on how the "second leg" of the trade (i.e. the transfer of NZUs to the gas seller by the purchaser) would function, shows how separating carbon would undermine anonymity which is fundamental to your service. We agree that this is not desirable.

There would be benefits to market participants if the ETS could enable the NZU liability to be passed to gas purchasers on a trading platform. This would allow more flexibility and assist liquidity in the carbon market. We recommend that emsTradepoint, in its role as market operator, raise these issues with the Ministry of the Environment, as it reviews the ETS.

Our responses to the consultation questions are set out in **Attachment 1**.

Next steps

If you have any questions regarding this submission, please contact Angela Ogier,
Transmission Commercial Manager, on 04 381 8056 or via email at angela.ogier@firstgas.co.nz.

Yours faithfully

A handwritten signature in black ink, appearing to read 'K Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory Manager

Attachment 1: Consultation questions

Question	First Gas response
1 What comment do you have on the way carbon is currently treated by emsTradepoint's natural gas product (NGP-TRS) listings?	We prefer flexibility in the gas market and would commend efforts to allow trading exclusive and inclusive of carbon.
2 Do you agree carbon should NOT be separated from NGP-TRS?	Yes. We agree it is not technically desirable under present ETS settings to separate the products.
3 Which of the carbon management options listed do you think would work best?	We would prefer flexibility in carbon management. Option 3 appears to deliver the greatest flexibility for users of the platform.
4 Are there any other options we should consider to help our participants better manage their ETS obligations over time?	No.