



Reference: 20240176

11 April 2024

Dear [REDACTED]

Thank you for your Official Information Act request, received on 12 March 2024. You requested the following:

I request that you release all Treasury information and advice provided to one or more ministers regarding He Pou a Rangi the Climate Change Commission's "Advice on NZ ETS unit limits and price control settings for 2025-2029" including information and advice relating to its technical annexes. The report was published on 12 March 2024.

This includes any relevant communications plans provided to one or more ministers/their offices.

For the avoidance of doubt, I am not requesting all advice and information related to all the issues that are broadly covered by the Commission's report, I am requesting information and advice about the report itself and the specific contents of the report, its analysis, and its recommendations.

Information being released

Please find enclosed the following document:

Item	Date	Document Description	Decision
1.	8 March 2024	Ministry for the Environment prepared Comms: CCC advice for ETS settings 2024	Release in part

I have decided to release the documents listed above, subject to information being withheld under section 9(2)(f)(iv) of the OIA, to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

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<https://treasury.govt.nz>

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Nicky Lynch
Manager, Climate Change

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Comms: CCC advice for ETS settings 2024

Commission’s Advice on ETS Settings Welcomed

Climate Change Minister Simon Watts has welcomed recommendations from He Pou a Rangi – Climate Change Commission for New Zealand Emissions Trading Scheme (NZ ETS) auction and unit limit settings for the next five years.

The NZ ETS is the Government’s key tool to reduce emissions and meet New Zealand’s climate targets.

This is the third time the Commission has provided independent advice to inform NZ ETS auction settings.

The NZ ETS impacts almost every part of Aotearoa New Zealand’s economy by requiring companies to pay for climate pollution and by rewarding those that remove carbon from the atmosphere.

Through the NZ ETS, companies that emit greenhouse gases must provide the Government with an emissions unit (New Zealand Unit or NZU) for every tonne of emissions they produce. Companies can purchase NZUs at Government auction, which happen four times a year. The Government limits the number of NZUs available at auction, in line with New Zealand’s emissions “cap”. This helps New Zealand meet its climate targets.

Price control settings at auctions set the “guardrails” for high and low prices at auctions of NZUs. These settings are designed to ensure carbon emissions are priced appropriately.

Following public consultation, set to occur before mid-2024, proposed changes to the ETS will be finalised by the end of September 2024.

s 9(2)(f)(iv)

If changes are made to auction settings for 2025, they would not apply until the first NZ ETS auction of 2025 (in March).

2022 press release: [New ETS advice will help keep a fair price on climate pollution | Beehive.govt.nz](#)

2023 press release: [New independent ETS advice will keep NZ on track to meet emission targets | Beehive.govt.nz](#)

Back pocket questions and answers

Question	Answer
What are the Minister’s thoughts on the Climate Change	The Minister will consider the Commission’s advice along with analysis from officials and feedback from public consultation. A

<p>Commission’s advice? Does he agree/disagree?</p>	<p>decision on final ETS settings will be made by the end of September 2024.</p>
<p>What is the risk to the market if the CCC advice is delayed or released?</p>	<p>Any financial decisions made by participants about the Government’s decisions, before decisions are formally announced, are speculative.</p> <p>When the CCC advice is released, risk to the market is minimal, as all participants will receive information at the same time.</p>
<p>What is the role of the NZ ETS settings in feeding into other policy decisions?</p>	<p>Updating the NZ ETS settings is a yearly undertaking required under legislation that ensures the operations of the NZ ETS market can continue. The settings are for the five-year period looking ahead and therefore provide some guidance for future planning for ETS participants.</p> <p>The ETS Settings work is BAU – we are keeping the car running, rather than buying a new car.</p>
<p>To maintain a rising ETS price, should the auction price floor be raised?</p>	<p>The value of the auction price floor is one of the settings that the Commission provides advice on, and questions on the value of the price floor will therefore be included in the ETS settings consultation. Final decisions about price settings will be made by Government once public consultation has completed, and official analysis and recommendations have been made to Ministers.</p>
<p>In 2023, all auctions were declined – what is the Government doing to stop that happening again?</p>	<p>A declined auction occurs when demand for units at auction is not high enough to meet the confidential reserve price. It is the behaviour of auction participants that determines whether units are sold at auction. The Government wants a strong and stable ETS, and will consider advice that aligns future settings with this goal.</p> <p>Decisions about auction controls will be made by Cabinet once public consultation has completed, and official analysis and recommendations have been made to Ministers.</p>
<p>Why are these changes being proposed?</p>	<p>The Climate Change Commission is required to provide advice every year to the Minister of Climate Change on NZ ETS settings for the subsequent five-year period.</p>
<p>Does the Government have to take the Commission’s recommendations?</p>	<p>No. The Commission is not a decision-making body. Decisions on updates will be made by Government. However, if the Minister recommends settings that are different from the Commission’s, the Minister must table a report to Parliament explaining why.</p>
<p>Will the prices be enough to drive the required abatement? Where will it come from?</p>	<p>The ETS already provides a clear price signal to the market and incentivises investment in low emissions technologies and practices.</p> <p>The emissions reduction plan outlines how policies across the spectrum of the New Zealand economy will contribute to how we</p>

	<p>meet our climate goals, including through the ETS. The second emissions reduction plan will be published by the end of 2024.</p>
<p>Will higher NZU prices just punish the poorest New Zealanders who typically use higher-emissions goods and services?</p>	<p>If NZU prices rise, businesses that buy NZUs may pass on some of these costs to consumers by, for example, increasing electricity or petrol prices.</p> <p>The impact on households from an increased emissions prices is likely to be moderate, due to households typically spending a small proportion of their budgets on emissions-intensive goods such as petrol.</p> <p>However, the lowest-income households could face a slightly greater impact because they spend a larger proportion of their income on emission-intensive goods.</p>