



Cabinet

Minute of Decision

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Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2023 and Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2023

Portfolio Climate Change

On 4 September 2023, Cabinet:

- 1 **noted** that in July 2023, Cabinet agreed to unit limits and price control settings for auctions to sell New Zealand units (NZUs) under the New Zealand Emissions Trading Scheme for the years 2023-2028 [CAB-23-MIN-0330];
- 2 **noted** that Cabinet originally agreed to implement price control settings for 2023 consisting of only a single trigger price of \$173 and a cost containment reserve of 8.0 million NZUs due to uncertainties about whether a two-tier approach to the cost containment reserve could be implemented on the auction platform for 2023;
- 3 **noted** that the Minister of Climate Change now confirms that the auction platform will be able to implement a two-tier approach to the cost containment reserve for the 6 December 2023 auction;
- 4 **noted** that implementing the two-tier cost containment reserve improves accordance with New Zealand's climate change targets by reducing the risk of releasing all the reserve units at once;
- 5 **agreed** that the price controls for 2023 should implement a two-tier approach, with the first tier having a trigger price of \$173 and a cost containment reserve volume of 2.9 million NZUs, and the second tier having a trigger price of \$216 and a cost containment reserve volume of 5.1 million NZUs;
- 6 **noted** that the Climate Change Commission identified a rounding error in the 2024 auction volumes agreed by Cabinet, which means 0.1 million more units would be auctioned in 2024 than it recommends;
- 7 **agreed** to fix the rounding error for 2024 settings by reducing the auction volume from 21.9 million to 21.8 million, and the overall limit from 28.0 million to 27.9 million;
- 8 **noted** that the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2023 will give effect to the decisions referred to in paragraph 1;

- 9 **noted** that before making the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2023, the Minister of Climate Change is required to comply with sections 3A(b), 3B(1), 30GC(2), 30GC(3), 30GC(5), 30GC(6), and 30H(3)(b) of the Climate Change Response Act 2002;
- 10 **noted** that the Minister of Climate Change advises that the requirements referred to in paragraph 9 have been met;
- 11 **authorised** the submission to the Executive Council of the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2023 [PCO 25773/5.0];
- 12 **noted** that the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2023 will come into force on 1 January 2024 for the 2028 settings, and will come into force on 1 November 2023 for the settings for the years 2023-2027;
- 13 **noted** that the Minister of Climate Change recommends making the Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2023 to:
- 13.1 prescribe the price of carbon for the 2024 calendar year;
 - 13.2 prescribe the levy rates for levy goods and motor vehicles using the updated price of carbon for 2024; and
 - 13.3 correct minor errors;
- 14 **noted** that under these regulations the price of carbon for 2024 will be \$71.97 per tonne of carbon dioxide equivalent;
- 15 **noted** that before recommending the making the Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2023 the Minister of Climate Change is required to comply with sections 3A(b), 3B(1), 30W(2), and 246(2) of the Climate Change Response Act 2002;
- 16 **noted** that the Minister of Climate Change advises that the requirements in paragraph 15 have been met;
- 17 **authorised** the submission to the Executive Council of the Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2023 [PCO 25777/7.0];
- 18 **noted** that the Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2023 will come into force on 1 January 2024.

Rachel Hayward
Secretary of the Cabinet