



Cabinet Economic Policy Committee

Minute of Decision

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Approval to Consult: NZ ETS Settings and Annual Regulatory Updates 2024

Portfolio Climate Change

On 8 May 2024, the Cabinet Economic Policy Committee:

Background

- 1 **noted** that the Minister of Climate Change (the Minister) must be satisfied that consultation has occurred before Cabinet makes policy decisions on updates to New Zealand Emissions Trading Scheme (NZ ETS) regulations, including the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020;

Updates to NZ ETS unit settings

- 2 **noted** that each year, the Minister is required by the Climate Change Response Act 2002 (the Act) to update NZ ETS regulations to determine unit settings for the following five years;
- 3 **noted** that the Climate Change Commission (the Commission) has recommended updates to the Minister, as outlined in the submission under ECO-24-SUB-0075;
- 4 **noted** that the Minister has a statutory obligation to consider the Commission's recommendations;
- 5 **noted** that publicly consulting on the Commission's recommendations helps to demonstrate compliance with the statutory requirement to consider the Commission's recommendations;
- 6 **noted** that the consultation document *Annual Updates to NZ ETS Limits and Price Control Settings for Units 2024* includes options for unit limit and auction price control settings, including advice provided by the Commission, alongside other options including the status quo;
- 7 **noted** that the Government will need to make final policy decisions on NZ ETS unit settings in August 2024 to meet legislated deadlines;
- 8 **noted** that the Government is not obliged to agree with the Commission's recommendations when making final policy decisions;

Updates to other NZ ETS regulations

- 9 **noted** that the regulations governing the NZ ETS require regular updates to maintain the integrity of the scheme, and that such updates are expected by NZ ETS participants;
- 10 **noted** that the majority of updates proposed in the second consultation document, *Proposed Changes to New Zealand Emissions Trading Scheme Regulations 2024*, are technical and operational, requiring no policy decisions other than whether or not to progress the update;
- 11 **noted** that, following consultation, the Minister will return to the Cabinet Economic Policy Committee to seek agreement to unit settings, any items not considered minor or technical, and any matters that impact fuel prices, or have more-than-minor economic or cost-of-living impacts;

Delegation of technical updates

- 12 **authorised** the Minister to make post-consultation decisions on the purely technical matters in this area, including to issue drafting instructions, this year and in future years;
- 13 **agreed** that ‘purely technical matters’ refers to:
- 13.1 routinely updating default and unique emissions factors (provided there are no changes to how participants report their emissions, or any significant economic or other implications);
 - 13.2 correcting errors in the NZ ETS regulations;
 - 13.3 similar minor or technical changes consistent with Government policy;
- 14 **noted** that the Minister will seek Cabinet approval to the amended regulations no later than 30 September 2024, including the regulations drafted for any updates where the authority to issue drafting instructions has been delegated;

Consultation documents for release

- 15 **noted** that the Minister intends to direct officials to carry out public consultation of the two sets of updates proposed to NZ ETS regulations;
- 16 **approved** the release of the following documents, attached to the submission under ECO-24-SUB-0075, to support consultation on these updates:
- 16.1 *Annual Updates to the New Zealand Emissions Trading Scheme Limits and Price Control Settings for Units 2024*;
 - 16.2 *Proposed Changes to New Zealand Emissions Trading Scheme Regulations 2024*;
- 17 **noted** that the consultation period will start before the end of the week in which Cabinet approves the release of the consultation documents, and run for a minimum of four weeks;
- 18 **authorised** the Minister to make minor design, editorial, and technical changes to the consultation documents as needed prior to their release;

- 19 **noted** that the Minister will seek policy decisions and Cabinet approval to issue drafting instructions for amendment regulations no later than 1 August 2024.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Nicola Willis (Chair)
Hon David Seymour
Hon Chris Bishop
Hon Shane Jones
Hon Simeon Brown
Hon Paul Goldsmith
Hon Matt Doocey
Hon Tama Potaka
Hon Simon Watts
Hon Melissa Lee
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Mark Patterson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Simon Watts
Crown Law
Ministry for the Environment
Department of the Prime Minister and Cabinet
Officials Committee for ECO