



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

New Zealand Emissions Trading Scheme: Unit Limits and Price Control Settings for 2025-2029

Portfolio Climate Change

On 12 August 2024, the Cabinet Business Committee:

- 1 **noted** that the Minister of Climate Change (the Minister) is required by the Climate Change Response Act 2002 to update limit and price settings (unit settings) for New Zealand Units (NZUs) under the New Zealand Emissions Trading Scheme (NZ ETS) so that they continue to cover five calendar years at all times;
- 2 **noted** that the legal test means that the unit limits and price control settings must be considered as a package and in the context of other climate change policies, because their effect on unit supply (and ultimately emissions) are interdependent;
- 3 **noted** that the Minister has considered consultation feedback in formulating the options presented below;
- 4 **agreed** to maintain the current price control settings, including the cost containment reserve volumes (CCR), with minor changes made to reflect Treasury Budget 2024 inflation forecasts, and extend the price control settings to 2029, as outlined below:

	Adjusted for new inflation forecasts				New
	2025	2026	2027	2028	2029
Auction price floor	\$68	\$71	\$75	\$78	\$82
CCR Tier 1	\$193	\$203	\$213	\$224	\$235
CCR Tier 2	\$242	\$254	\$267	\$280	\$294
CCR Tier 1 volume	2.6	2.3	2.1	1.9	1.7
CCR Tier 2 volume	4.5	4.2	3.8	3.4	3.0
Total CCR volumes	7.1	6.5	5.9	5.3	4.7

5 **agreed** to update limits for units for 2025-2029 as follows:

Unit limits (millions)	2025	2026	2027	2028	2029
Base auction volumes	6.0	5.2	4.3	3.3	2.4
Total CCR volumes	7.1	6.5	5.9	5.3	4.7
NZUs available by auction	13.1	11.7	10.2	8.6	7.1
Industrial allocation	6.0	5.7	5.7	5.6	5.5
Approved overseas units	0	0	0	0	0
Overall limit on units	19.1	17.4	15.9	14.2	12.6

6 **noted** that there is ongoing effort to understand the exact size of the surplus of NZUs, and that this will be taken into account in considering ETS settings in future years;

7 **authorised** the Minister to issue drafting instructions to the Parliamentary Counsel Office to amend the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020;

8 **authorised** the Minister to further clarify and develop policy matters relating to the amendments under CBC-24-MIN-0083 above, in a manner not inconsistent with Cabinet decisions.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Brooke van Velden
Hon Chris Bishop
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Matt Doocey
Hon Simon Watts

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet