



Unit Limit and Price Control Settings Consultation 2023: Approval to commence ministerial consultation

Date Submitted:	3 August 2022	Tracking #: BRF-1963	
Security Level	Policy and Privacy In-Confidence	MfE Priority:	Urgent

	Action sought:	Response by:
Hon James SHAW, Minister of Climate Change	Agree to release the draft Cabinet paper and associated draft consultation document for Ministerial consultation Provide any feedback on the attached paper	4 August 2022

Actions for Minister's Office Staff	Forward the draft Cabinet paper for Ministerial consultation. Return the signed report to MfE.
Number of appendices and attachments #3	1. Tracked changes and clean copies of: Draft Cabinet paper: <i>Approval to consult on the annual update to New Zealand Emissions Trading Scheme limit and price control settings for units</i> 2. Draft consultation document: <i>Proposed changes to New Zealand Emissions Trading Scheme limit and price control settings for units</i> 3. Appendix Three: Itemised summary of responses to your feedback on the draft Cabinet paper

Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Dave Hodson		
Responsible Manager	Kate Whitwell	022 137 5939	✓
Director	Hemi Smiler		

Unit Limit and Price Control Settings

Consultation 2023: Approval to commence ministerial consultation


1. We received a signed copy of BRF-1854 on Monday 1 August 2022 where you provided feedback on the draft Cabinet paper CAB-155 *Approval to consult on the annual update to NZ ETS limit and price control settings for units*, and on the attached draft consultation document.
2. Attached is a copy of the Cabinet paper and discussion document ready to be released for Ministerial consultation. Please provide any feedback on the attached paper as soon as possible to begin Thursday 4 August.
3. We have received agency feedback from the Treasury, Ministry of Foreign Affairs and Trade, Ministry of Transport, and MBIE on both the Cabinet paper and consultation document. We have incorporated feedback as far as possible in the time available. We are yet to receive feedback from MPI, and we are expecting further agency feedback during Ministerial consultation due to the tight timeframes and will work to address this ahead of lodgement.
4. Appendix three provides an itemised summary of your feedback on the Cabinet paper from the signed copy of BRF-1854, as well as responses to each of your points and where changes have been made. All comments requesting text to be inserted have been actioned and are highlighted in the tracked changes copy provided, we haven't included these specific details in the appendix.
5. Your feedback on the consultation document has been addressed, along with agency feedback, as described above.
6. We recommend Ministerial consultation occur from 4 August to allow lodgement on 18 August. This will allow the paper and amendment regulations to be lodged on 18 August in time for the Cabinet Economic Development Committee meeting on 24 August.
7. Note, under sections 3A and 3B of the Climate Change Response Act, the Minister must consult and publish regulations for 2027 settings this year. Anything that disrupts this creates a legal risk.
8. Note your approval to commence Ministerial consultation is required now to ensure this work can be delivered in this truncated timeframe. These are not the final versions of the Cabinet paper and discussion document. Further feedback is likely to be received during the two weeks of Ministerial consultation that will need to be addressed. We will provide you with updated versions to request approval to lodge ahead of lodgement on 24 August.

Recommendations

We recommend that you:

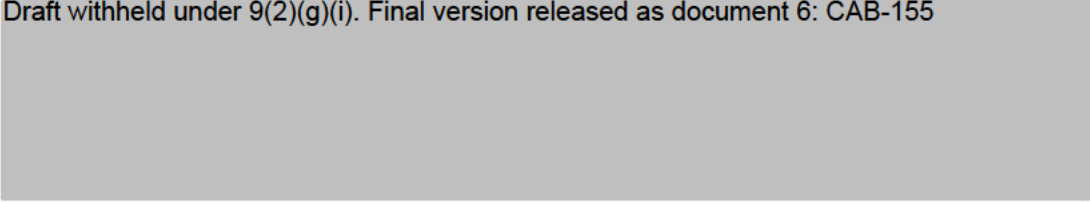
- a. **Agree** to release the draft Cabinet paper and associated draft consultation document for Ministerial consultation Yes/No ☒
- b. **Provide** feedback on the attached Cabinet paper and consultation document Yes/No ☒
- c. **Note** the legislative requirement to prescribe unit limit and price control settings amendment regulations up to 2027 this year.

Signature

Scott Gulliver Principal Analyst – Climate Mitigation Climate Change Directorate	Approved electronically
Hon James SHAW, Minister of Climate Change	
[Date]	4/8/22

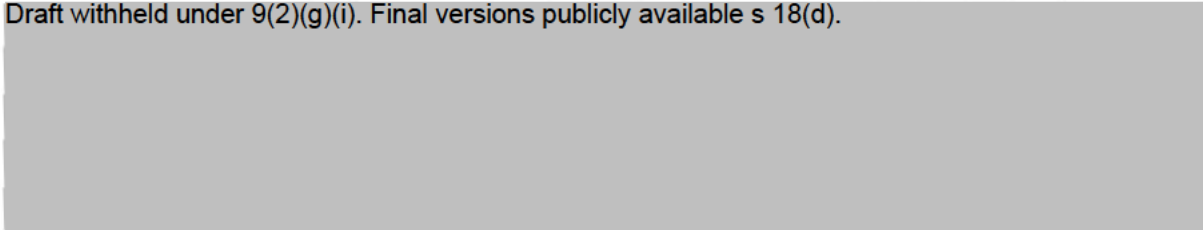
Attachment 1: Draft Cabinet paper: Approval to consult on the annual update to New Zealand Emissions Trading Scheme limit and price control settings for units

Draft withheld under 9(2)(g)(i). Final version released as document 6: CAB-155



Attachment 2: Draft consultation document: *Proposed changes to New Zealand Emissions Trading Scheme limit and price control settings for units*

Draft withheld under 9(2)(g)(i). Final versions publicly available s 18(d).



<https://environment.govt.nz/publications/proposed-changes-to-new-zealand-emissions-trading-scheme-limit-and-price-control-settings-for-units-2022-consultation-document/>

Appendix 3: Summary of Cabinet paper feedback

Where	You said	We did
Throughout Cabinet paper	Add/delete text, change punctuation	Made requested changes
CAB page 6, para 34	Requested us to "note that the downside of signalling expectations is that it removes risk and encourages speculative behaviour, as with property -> creates unwarranted?? Gains (also untaxed)"	Updated paragraph to better highlight that this is more about long-term expectations than signals
CAB page 7	Requested us to "note Cabinet has already agreed to prioritise gross reductions"	Clarified context through the paper
CAB pages 7-9	"what is the price increase (approx.) of the CCC recs on: fuel, food, expenses? Vs status quo? Goes to rec 9, for paras 45-50	Added detail on pages 7-9 including 2030 data - so the numbers are bigger than presented in the Commission's advice as the price settings for 2030 on CCC recs extend beyond/outside those treasury price impacts
CAB page 11	"um, what about the Commission's cost increases table?" - on population impacts comment	We will address this in the policy decisions Cabinet paper
CAB page 12	To discuss: I want recs noting the specific paths urged, with gross/net balance (forestry) & distributional impacts and then some agree recs that correspond. E.g., note the commission has urged the government again to develop a credible response to the gross:net imbalance in the NZ ETS	Discussed at meeting with officials on 1 August Additional recs 13-15
CAB page 13	"To discuss" this rec: note I will bring a Cab paper later this year for a targeted review of the NZ ETS to strengthen incentives for gross emissions reduction	Discussed at meeting with officials on 1 August