



Revised Cabinet Paper - NZ ETS and SGG Levy Regulation Changes 2021: Consultation report back.

Date Submitted:	8 July 2021	Tracking #: BRF-318	
Security Level	Policy and Privacy In-Confidence	MfE Priority:	Urgent

	Action sought:	Response by:
Hon James SHAW, Minister of Climate Change	Review changes Begin Ministerial consultation	9 July 2021

Actions for Minister's Office Staff	Return the signed briefing note to MfE.
Number of appendices and attachments: 1	CAB-35 - NZ ETS and SGG Levy Regulation Changes 2021: Consultation report back.

Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Dave Hodson		
Responsible Manager	Scott Gulliver	s 9(2)(a)	✓
Director	Lisa Daniell		

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Key Messages

1. This briefing provides a revised Cabinet paper (Appendix 1) for your review and for subsequent ministerial consultation.
2. The Cabinet paper seeks policy approval for amendments to regulations and the drafting of new regulations under the Climate Change Response Act 2002 (the Act), and authorisation for drafting instructions to be issued.
3. The paper also seeks approval on next steps in agreeing a methodology for updating the electricity allocation factor used in industrial allocation.
4. The appendices (six regulatory impact statements and one table of synthetic greenhouse gas levy updates) will be provided to your office to accompany the Cabinet paper when it is circulated for ministerial consultation.
5. The Cabinet paper has been revised based on feedback received from you and your office on 4 March 2021. Further updates have been made based on feedback from other agencies, and from Ministry for the Environment reviewers.
6. The Cabinet paper is due to be lodged on 29 July for consideration by Cabinet Environment, Energy and Climate (ENV) Committee on 5 August.

Changes made, and responses to feedback

7. A number of minor changes have been made to the draft Cabinet paper to improve readability and consistency.
8. The paper is now clearer that there is no justification for changing the unit limit settings for 2022 and 2023. A change to unit limit settings is not justified as it would result in no changes to the auction volumes for these two years.
9. The revised Cabinet paper now highlights that there is no opportunity to update price control settings for 2021. It is also stronger in explaining that changes to the price control settings do not necessarily mean immediate changes to market prices, while acknowledging that some impact is possible.
10. The level of analysis and detail around updates to the unit limit and price control settings has been increased, including the relationship between these settings and advice from the Climate Change Commission. s 9(2)(g)(i)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
11. s 9(2)(g)(i)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. Delaying a decision on the price control settings will

risk missing the window for amendment regulations to be published by 30 September, thereby keeping existing price control settings in place for 2022.

12. s 9(2)(g)(i)
13. The revised Cabinet paper provides more background and explanation of the recommendation to update default emissions factors and other reference data to reflect the most up-to-date GWP₁₀₀ values if a later decision is taken to update NDC1 or set first emissions budgets in reference to these most up-to-date values.
14. Analysis and recommendations in relation to new regulations for an auction monitor have been expanded.
15. Clarification on which updates are intended to take effect from 1 January 2022 is provided.
16. We have not yet received feedback from the Treasury.

Next steps and timing

17. Next steps are summarised in Table 1 below.
18. We ask you to review the attached revised Cabinet paper. Subject to further feedback, we ask to you send it and the associated appendices, for Ministerial consultation commencing either end of this week or early next week. This will allow two weeks of Ministerial consultation and incorporation of any subsequent changes prior to lodgement.
19. Drafting instructions will be created and provided to Parliamentary Counsel Office after agreement from Cabinet. Subject to PCO drafting timetables, we will draft a paper for you to take to the Cabinet Legislation Committee on 23 September 2021.

Table 1: Next steps

When	What	Who
Friday 9 July	Provide any further feedback on revised Cabinet paper	Minister's office.
Friday 9 July	Begin Ministerial consultation	Minister's office
By 10am Thursday 29 July	Lodge Cabinet paper	Minister's office
Thursday 5 August	ENV considers Cabinet paper	Cabinet
Monday 8 August	Confirmation of ENV decisions from Cabinet	Cabinet
Ongoing	Work with PCO on drafting amendment regulations	Ministry for the Environment
Thursday 26 August	Draft of LEG Cabinet paper provided, for consideration at LEG on 23 September	Ministry for the Environment

Recommendations


We recommend that you:

- a. **Agree** to send the final drafts of this Cabinet paper and its associated appendices for Ministerial consultation on or before 13 July 2021.
- b. **Note** that we will work with your office if you have any further feedback on the revised Cabinet paper.
- c. **Agree** that this briefing and appendices will be released proactively on the Ministry for the Environment's website after the publication of amendment regulations by 30 September 2021.

Yes/No

Yes/No

Signature

Scott Gulliver Acting Manager – ETS Policy	
Date	8 July 21

Hon James SHAW, Minister of Climate Change	
Date	

**Appendix 1: Revised Cabinet paper: NZ ETS and SGG Levy
Regulation Changes 2021: Consultation report back**

Proactively Released

Proactively Released