



# Cabinet

## Minute of Decision

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### Climate Change (Auctions, Limits, and Price Control Settings for Units) Regulations 2020

Portfolio **Climate Change**

On 21 September 2020, Cabinet:

- 1 **noted** that the proposed Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020 (the Regulations) are required to operationalise the changes made by the Climate Change Response (Emissions Trading Reform) Amendment Act 2020;
- 2 **noted** that:
  - 2.1 on 18 March 2020, Cabinet agreed to policy decisions to set the rules for auctioning within the NZ ETS [DEV-20-MIN-0047];
  - 2.2 further policy decisions were made by Cabinet on 14 May 2020 alongside decisions on overall unit limits and auction price controls for the NZ ETS [ENV-20-MIN-016];
- 3 **s 9(2)h**
- 4 **invited** the Minister for Climate Change to report back to Cabinet regarding **s 9(2)h** the technical reserve price before the third auction in 2021;
- 5 **noted** that the proposed Regulations correct the limit on units sold by auction and the annual overall limit on units by including the reserve volume;
- 6 **noted** that the changes to the auction limits and overall limits will have no practical impact as they do not change the amount of units that will be available for auction;
- 7 **agreed** to amend the values in the Regulations for:
  - 7.1 the annual limit on units sold by auction to be 26.0 million NZUs in 2021, 26.3 million NZUs in 2022, 25.6 million NZUs in 2023, 24.2 million NZUs in 2024, and 22.4 million NZUs in 2025; and
  - 7.2 the annual overall limit to be 34.4 million NZUs in 2021, 34.5 million NZUs in 2022, 34.5 million NZUs in 2023, 32.9 million NZUs in 2024, and 31.1 million NZUs in 2025;

- 8 **noted** that the proposed Regulations clarify that when annual auction volumes are divided equally among auctions, each auction volume must be rounded to meet the minimum lot size;
- 9 **noted** that:
- 9.1 the Regulations clarify that the bidding window is considered to be open between 9:00 am and 12:00 pm if only very short outages occur during that time;
- 9.2 short outages are defined as being no more than 5 minutes at any one time, must be no more than 15 minutes overall and cannot occur during the last half hour of the auction;
- 10 **noted** that the Regulations clarify that to ensure that collateral amount to be forfeit is clearly specified for both auction participants and the auction operator, it is calculated as follows: Collateral forfeit on failure to settle = successful bid volume (number of NZUs won in the auction) x auction clearing price x 0.25;
- 11 **noted** that to clarify the rounding rules for tied bids, any remainder units will be rounded down to avoid over-allocation and if rounding rules result in unassigned lots at the end of the tied bids process then individual lots will be randomly assigned to tied bids until all the auction volume is assigned;
- 12 **noted** that the Regulations will come into force on the date 3 months after they are notified in the New Zealand Gazette, in accordance with the requirements of the Act and be in force when unit auctioning begins in March 2021;
- 13 **authorised** the submission to the Executive Council of the Climate Change Response (Auctions, Limits, and Price Controls for Units) Regulations [PCO 23026/10.0];
- 14 **noted** the advice of the Minister for Climate Change that the statutory prerequisites have been met.

Michael Webster  
Secretary of the Cabinet