



Cabinet Environment, Energy and Climate Committee

Minute of Decision

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Proceeds from the New Zealand Emissions Trading Scheme

Portfolio **Climate Change**

On 23 July 2020, the Cabinet Environment, Energy and Climate Committee:

- 1 **noted** that the fixed price option and emission unit auction mechanisms of the New Zealand Emissions Trading Scheme (NZETS) will provide unencumbered cash to the Crown every year;
- 2 **noted** that this cash inflow has no impact on the operating statement because the transaction is accounted as a cash increase and an increase in the NZETS provision liability;
- 3 **noted** that when emission units are surrendered, revenue is recognised, the NZ ETS liability decreases, and the Crown's net worth increases as it is left with the cash obtained from the earlier sale of those New Zealand Units;
- 4 **noted** that under current fiscal policy practices, this cash is retained by the centre and allocated through Budget processes;
- 5 **noted** that revenue recycling could boost public support for the NZETS scheme and gain acceptance of a rising emissions price path over time;
- 6 **noted** that specific targeted uses of NZETS proceeds include:
 - 6.1 investing directly in emissions mitigation proposals and infrastructure;
 - 6.2 assisting communities and local authorities with the costs of adapting to the current impacts and future risks of climate change;
 - 6.3 providing direct compensation for the higher costs of greenhouse gas intensive goods and services;
 - 6.4 purchasing international units to make up the difference between domestic emissions reductions and New Zealand's Nationally Determined Contribution under the Paris Agreement;
- 7 **invited** the Minister for Climate Change, following further consultation with relevant Ministers and officials, to examine the benefits and options for establishing a scheme to recycle some or all proceeds from emission unit auctions, and to report back to Cabinet with a proposed approach before the end of 2020;

- 8 **noted** that the fiscal risk of purchasing offshore emissions mitigation is not recorded in any Crown fiscal reports;
- 9 **invited** the Minister for Climate Change to report back on progress in increasing and improving Crown financial information on climate change commitments and measures, by July 2021.

Vivien Meek
Committee Secretary

Present:

Hon Grant Robertson
Hon David Parker (Chair)
Hon Stuart Nash
Hon Shane Jones
Hon Nanaia Mahuta
Hon Damien O'Connor
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Officials Committee for ENV