

# New Zealand Emissions Trading Scheme interim auction monitor report

4 September 2024 auction



Ministry for the  
**Environment**  
*Manatū Mō Te Taiao*



**Te Kāwanatanga o Aotearoa**  
New Zealand Government

## Disclaimer

The information in this publication is, according to the Ministry for the Environment's best efforts, accurate at the time of publication. The Ministry will make every reasonable effort to keep it current and accurate. However, users of this publication are advised that:

- The information does not alter the laws of New Zealand, other official guidelines, or requirements.
- It does not constitute legal advice, and users should take specific advice from qualified professionals before taking any action based on information in this publication.
- The Ministry does not accept any responsibility or liability whatsoever whether in contract, tort, equity, or otherwise for any action taken as a result of reading, or reliance placed on this publication because of having read any part, or all, of the information in this publication or for any error, or inadequacy, deficiency, flaw in, or omission from the information in this publication.
- All references to websites, organisations or people not within the Ministry are for convenience only and should not be taken as endorsement of those websites or information contained in those websites nor of organisations or people referred to.

This document may be cited as: Ministry for the Environment. 2024. *New Zealand Emissions Trading Scheme interim auction monitor report: 4 September 2024 auction*. Wellington: Ministry for the Environment.

Published in September 2024 by the  
Ministry for the Environment  
Manatū mō te Taiao  
PO Box 10362, Wellington 6143, New Zealand  
[environment.govt.nz](https://environment.govt.nz)

ISBN: 978-1-991140-35-7

Publication number: ME 1846

© Crown copyright New Zealand 2024

# Contents

Introduction and purpose of this report	4
Auction information	5
Auction results	5
Commentary on the auction results	7
Price	7
Units sold and cover ratio	8
Bidder behaviour	9
Participants	10
Commentary on the auction operation	11
Collateral and settlement	11
Appendix 1: Auction mechanics	12
The auction clearing price	12
The confidential reserve price	12
Resolved tied bids	12
Cost containment reserve	12

# Introduction and purpose of this report

This report is produced by the Ministry for the Environment (the Ministry) acting in the role of the interim auction monitor for the fifteenth New Zealand Emissions Trading Scheme (NZ ETS) auction and the third auction of 2024, held on 4 September 2024.

The NZ ETS auctions of New Zealand Units (NZUs or 'units') are held at quarterly intervals each year in accordance with the Climate Change Response Act 2002 (CCRA) and the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020. Specific regulations for the auction monitor function have not been passed, so the Ministry is operating as the interim auction monitor.

The functions of an auction monitor include but are not limited to: monitoring the conduct of agents and auction participants; the publication of an auction report as soon as is practicable following an auction; calculating specified metrics in respect of the auction process and auction results; and providing a periodic assessment of the auction system and making recommendations for improvement.

This auction monitor report provides the results of the latest auction. It also presents a comparison with previous auctions and provides assurance that the auction was conducted properly and in accordance with the applicable rules and laws. The next auction, the fourth auction of 2024, is scheduled for 4 December 2024.

This report looks different to previous auction monitor reports. The Ministry's Market Assurance and Operations team has taken over preparation of the report, with previous reports prepared by a contracted third-party. The Ministry has established controls so that it can perform the auction-monitor function independently of the auction operator and of the Ministry team responsible for auction policy, and to protect third-party information.

We welcome feedback on this report; please send it to [etsfeedback@mfe.govt.nz](mailto:etsfeedback@mfe.govt.nz).

# Auction information

The following table provides the price settings and units available for the 4 September 2024 auction.

**Table 1 Unit and price information the NZ ETS auction held on 4 September 2024**

September auction	Units available				Prices		
	Unsold from previous auctions	Total auction volume (excl CCR)	Tier 1 CCR	Tier 2 CCR	Price floor	Tier 1 CCR trigger price	Tier 2 CCR trigger price
3,525,000	4,075,700	7,600,700	2,800,000	4,900,000	NZ\$64.00	NZ\$184.00	NZ\$230.00

Note: CCR = cost containment reserve

## Auction results

- The third auction of 2024, held on Wednesday, 4 September 2024, did not clear.
- No bids were received during the auction bidding window.
- No NZUs were required to be transferred as a result of the auction.
- The unsold units will carry over, and a total of 11,125,700 NZUs (excluding cost containment reserve [CCR]) will be available at the next auction, which will be held on Wednesday, 4 December 2024.
- The secondary-market closing bid-offer prices the day before the auction (3 September 2024) were NZ\$61.55 to NZ\$62.00.
- The secondary market closing bid-offer prices the day of the auction (4 September 2024) were NZ\$61.75 to NZ\$62.25.

Table 2 provides the key metrics of the auction. Figures 1 to 9 throughout this report present a comparison of the auction with previous auctions.

**Table 2 Metrics for NZ ETS auction held on 4 September 2024**

Metrics for NZ ETS auction	Response
Clearing price	None
Maximum bid price	0
Minimum bid price	0
Average bid price	0
Number of participants	0
Number of successful participants	0
Volume available at auction (including 7,700,000 cost containment reserve [CCR] units)	7,600,700 (15,300,700 incl. CCR)
Volume of New Zealand Units (NZUs) sold	0
Volume of NZUs bid for	0
Average bid size	0
Average volume bid per participant	0
Average volume won per successful participant	0
Average number of bids per participant	0
Total number of bids submitted (not including withdrawn bids)	0
Number of bids withdrawn	0
Number of successful bids	0
Cover ratio (excluding 7,700,000 CCR units)	0
Aggregated 'top 5' participants volume (aggregated bids) as a percentage of total units bid for	0
Estimated percentage of bidders with compliance obligations	0

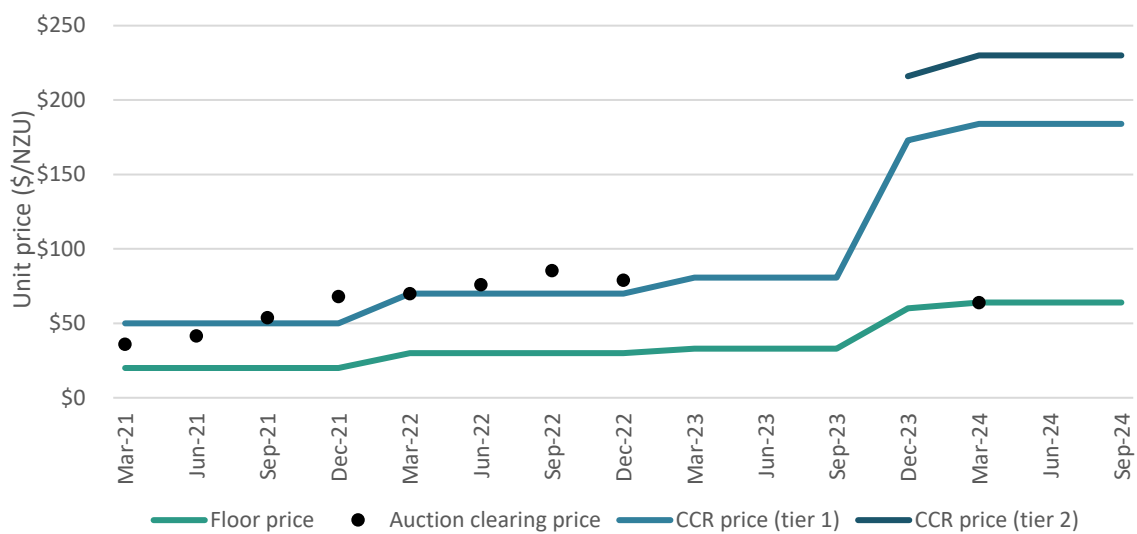
# Commentary on the auction results

The 4 September 2024 auction was the third auction of 2024 and did not clear. This auction followed the March 2024 auction, which partially cleared at the auction-floor price of NZ\$64, and the June 2024 auction, which also received no bids and did not clear.

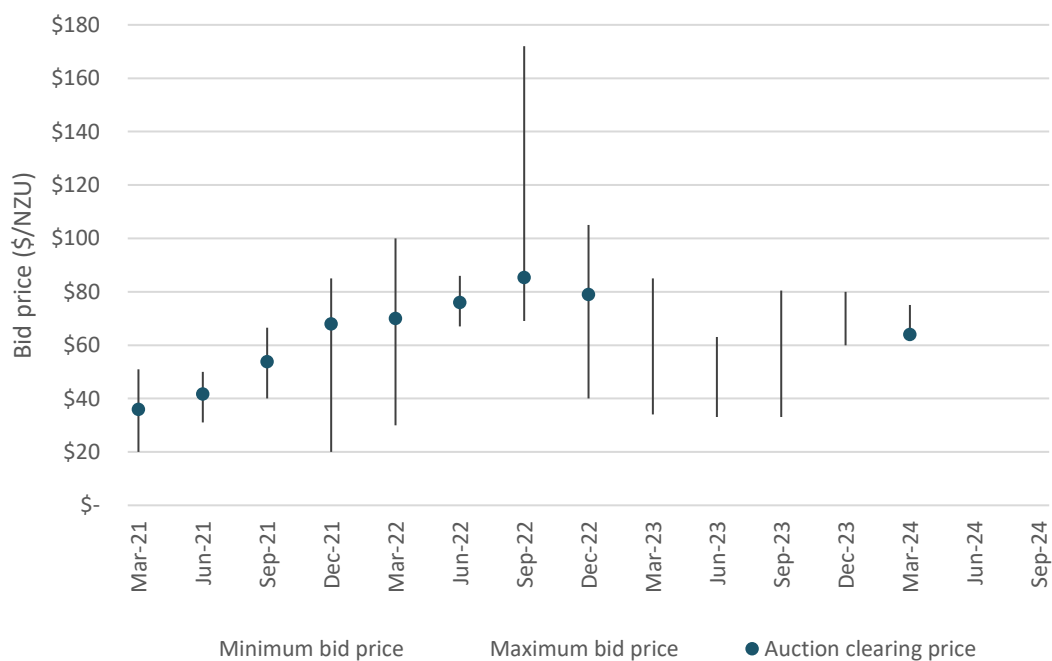
## Price

No clearing price was established as no bids were registered for the 4 September 2024 auction.

**Figure 1 Auction clearing prices (relative to floor and CCR prices)**



**Figure 2 Range of minimum and maximum bids observed at auctions**

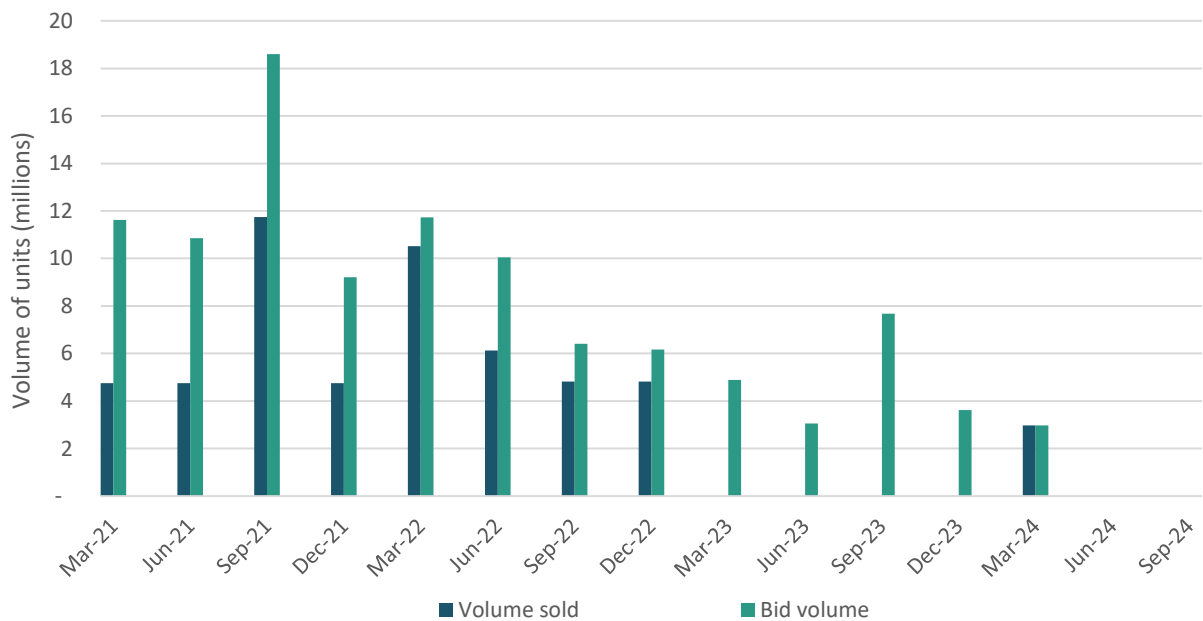


# Units sold and cover ratio

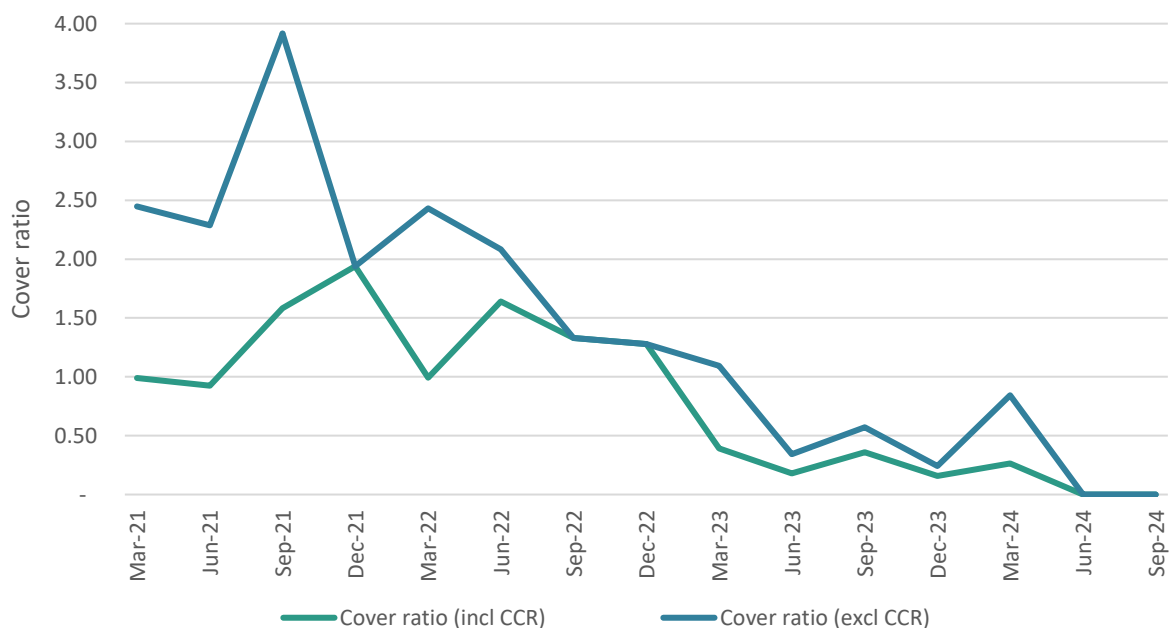
4,075,700 units were carried over from the previous two auctions of 2024, meaning a total of 7,600,700 units were available at the 4 September 2024 auction. No units were sold, meaning that 11,125,700 units (excluding CCR) will be available at the 4 December 2024 auction.

The cover ratio shows the level of demand compared to the number of units available at auctions. It has been on a downward trend over time. The results of the 4 September auction support this downward trend.

**Figure 3 Bid volume versus total volume sold over time**



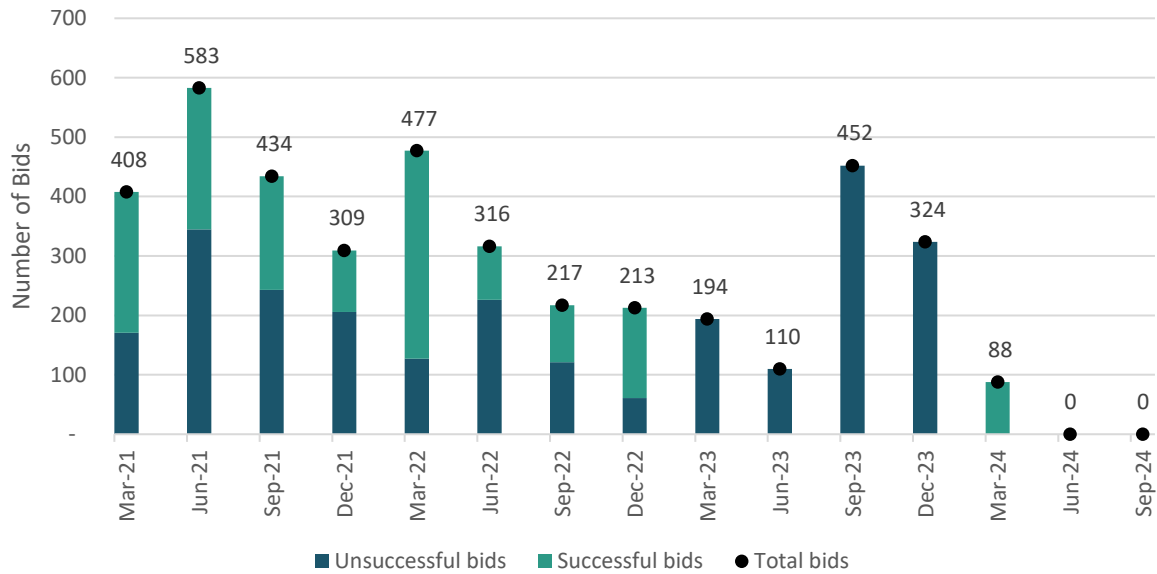
**Figure 4 Trend of cover ratio over time (volume bid/volume sold)**



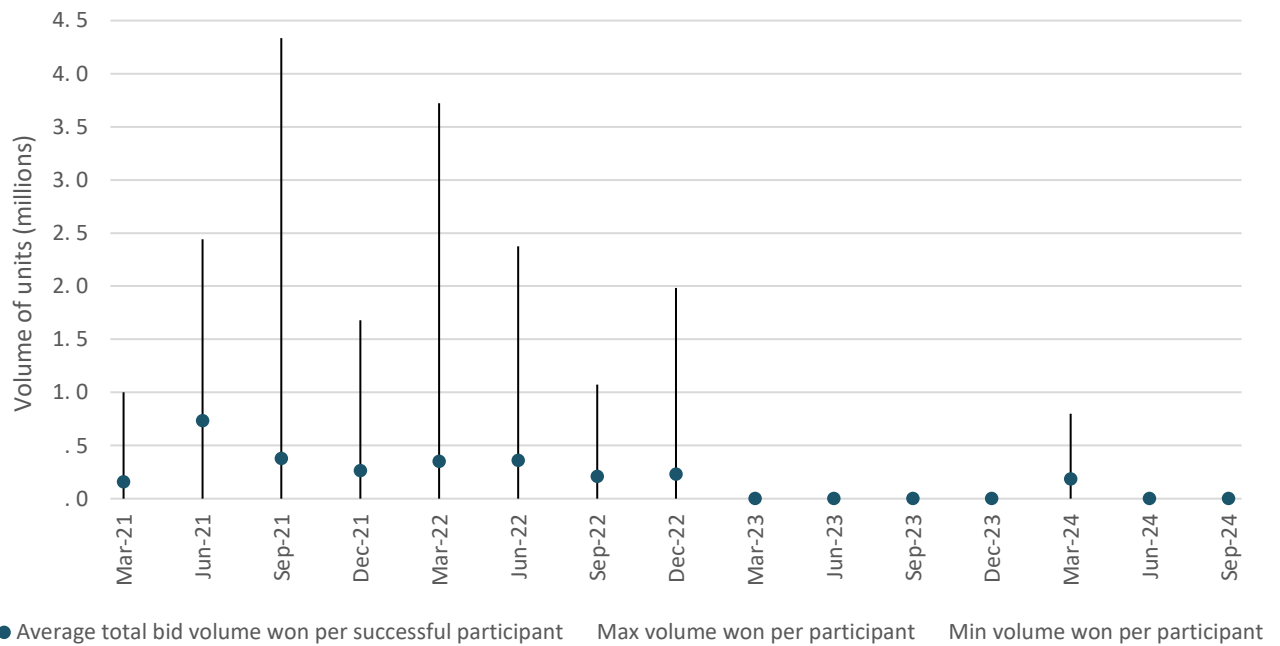


# Bidder behaviour

**Figure 5 Total number of successful and unsuccessful bids**



**Figure 6 Range of maximum and minimum volume of units won per participant**

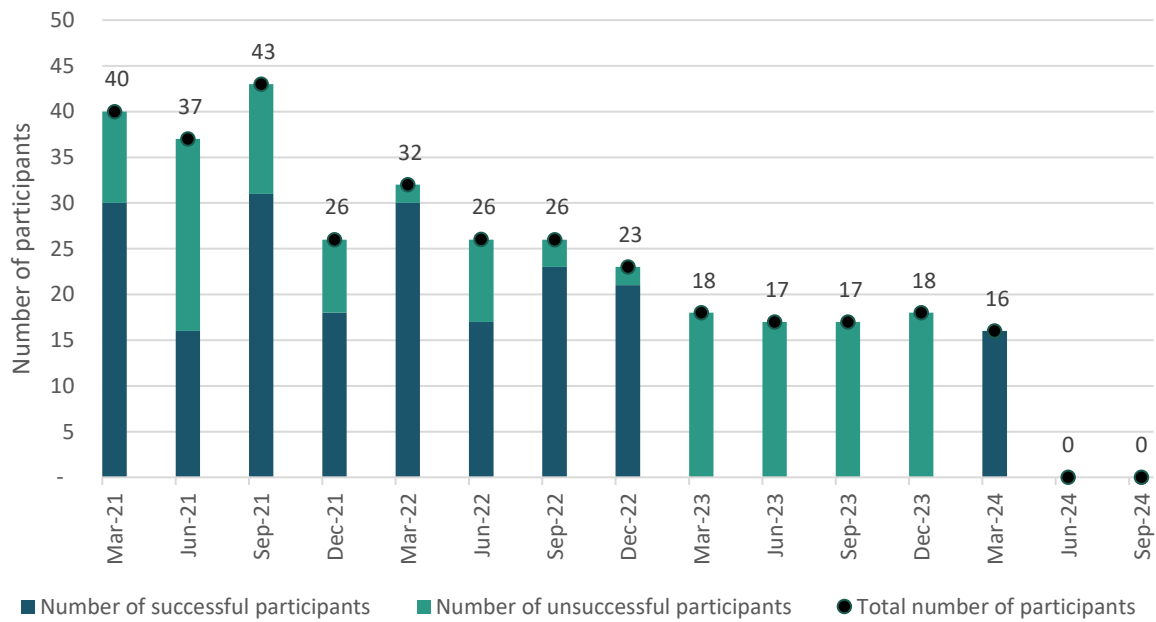


# Participants

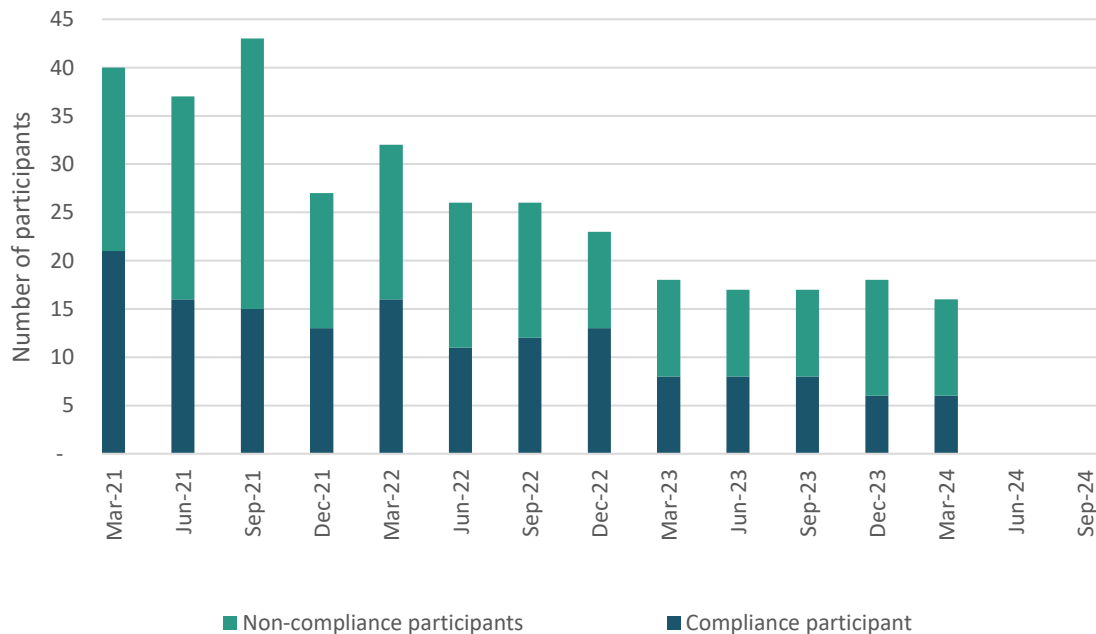
Auction participation has been on a downward trend over time. The September 2024 auction saw this trend continue.

Note: A participant with compliance obligations is a party who is directly registered in the NZ ETS with obligations under Schedule 3 and/or Schedule 4 of the CCRA. However, there may be participants in an auction who do not have compliance obligations and could be purchasing units on behalf of another party that does have compliance obligations.

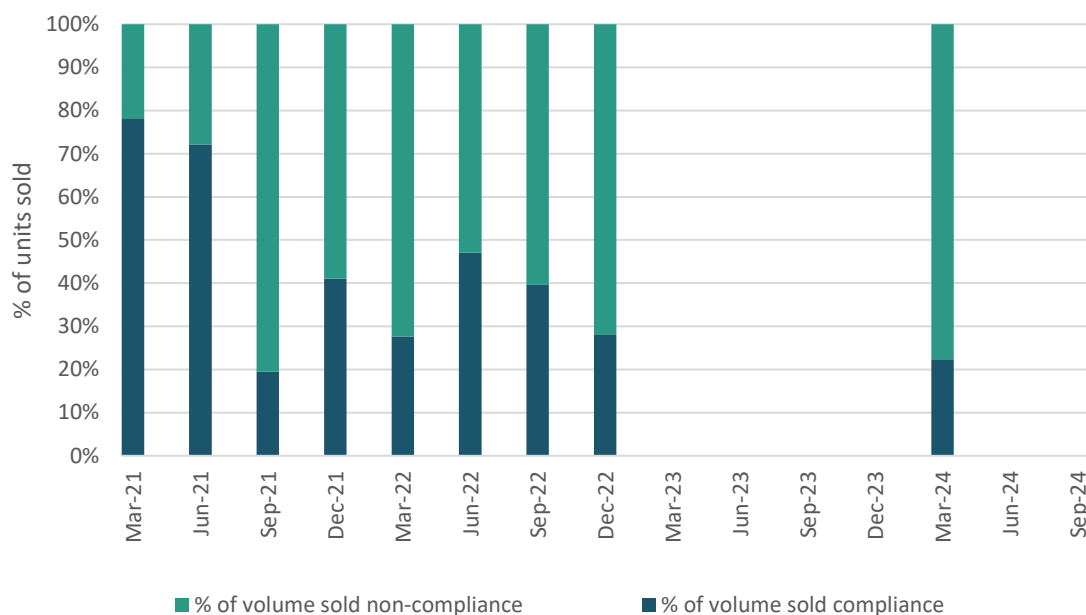
**Figure 7 Participant numbers per auction**



**Figure 8 Number of compliance vs non-compliance participants**



**Figure 9** Number of units sold to compliance participants versus non-compliance participants



## Commentary on the auction operation

The auction operator has confirmed that the auction mechanism, systems and processes functioned as expected, with no issues or delays observed. The Environmental Protection Authority (EPA) also confirmed that register processes ran as expected and without issue.

The Ministry is satisfied that the auction was conducted properly and ran in accordance with the applicable regulation and policy.

## Collateral and settlement

As in past auctions, participants continued to make use of both cash and non-cash collateral instruments in the 4 September 2024 auction.

Unused cash collateral was returned to the participants on the day of the auction. For domestic participants, returned funds are expected to clear on the same day, for international participants returned funds may take an additional day to clear.

The 4 September 2024 auction was the first auction where a new accelerated settlement approach was available – to transfer units the same business day that payment is made (a payment cut-off of approximately 1 pm local time applies). In practice, this approach was not applied, because no units were sold.

# Appendix 1: Auction mechanics

## The auction clearing price

No bids were received, meaning no clearing price was established.

## The confidential reserve price

The confidential reserve price (CRP) was not made use of in the auction.

The Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020 require the Minister of Climate Change to set a methodology for calculating a CRP for NZ ETS auctions. The purpose of the CRP is to prevent NZUs from being sold at auction at a price significantly below the secondary market price. If the auction clearing price is less than the CRP, the auction will not sell any NZUs. Unsold NZUs are rolled forward to be sold at the next auction in the same calendar year.

The mechanism for calculating the CRP was last revised ahead of the March 2024 auction to ensure that the mechanism remains confidential.

## Resolved tied bids

There were no tied bids in the 4 September 2024 auction. If more than one bid sets the clearing price, those bids are referred to as tied bids. If all tied bids, together, bid for more units than are left, each tied bid is allocated a proportional share of the remaining units, subject to rounding rules.

Bids are only accepted in multiples of 100 units from 500 units (the lot size and minimum bid respectively). Units are allocated to bids in multiples of lot size. Therefore, when tied bids occur and the operator calculates proportional shares, they apply the following rounding rules:

- the number of units allocated to a tied bid, if not a multiple of the lot size, is rounded down to the nearest 100 units (this may include being rounded down to zero)
- if unallocated units remain after tied bids are awarded their proportional share (rounded to the nearest 100 units), any remaining lots are randomly allocated to the tied bids, but only up to their original bid amount.

## Cost containment reserve

The CCR trigger prices were not breached in the 4 September 2024 auction. No CCR volume units were sold.

The CCR mechanism provides for additional volume of NZUs to be added to the auction volume if the auction clearing price is equal to, or exceeds, the CCR trigger price or prices. In 2024, there are two distinct CCR tiers and two associated trigger prices.

Both the auction volumes and the CCR trigger price(s) are set by regulation. These details are published on the [Ministry website](#), together with the dates for future auctions. Participants are urged to monitor the Ministry website to keep up to date with these details.