



22 May 2024

9(2)(a)

Dear 9(2)(a)

Thank you for your email of 16 April 2024 requesting the following under the Official Information Act 1982 (the Act):

*I request under the Official Information Act how much money in each financial year for the last 5 years has been received from the sale of Units on the Emissions Trading Scheme (ETS). I also request what these funds have been used for. Along with how much funding from the proceeds is retained by the EPA. I also request how much in total in costs to run the ETS each year.*

On 18 April 2023, the Ministry for the Environment (the Ministry) contacted you to clarify the scope of your request as it was broad, and we wanted to assist you with finding the information you are seeking. On 24 April 2024, you agreed to narrow the scope of your request down to the following information:

- *The yearly total cost of running the entire ETS program; and*
- *If the Environmental Protection Authority (EPA) retains proceeds from unit sales to pay for this function.*

We appreciate your clarification regarding the scope of your request. While the response below addresses the points in your clarified request, it also provides more comprehensive answers to the original questions you posed.

### **How much money in each financial year for the last 5 years has been received from the sale of Units on the Emissions Trading Scheme (ETS)**

Our response includes money (i.e., cash) received from the quarterly ETS auctions. Auctions commenced in March 2021, following major reforms to the ETS that were passed in 2020.

Our response also includes money received from what is called the “Fixed Price Option” (FPO) under the ETS. Prior to the commencement of auctions, the government did not sell units. To meet their surrender obligations, emitters could either purchase New Zealand carbon units (NZUs) on the secondary market or pay the FPO. The FPO price was \$25 for every NZU equivalent, increasing to \$35 in 2020.

You can find more information on the changes to the FPO, here:

[Changes-to-the-Emissions-Trading-Scheme-Fixed-Price-Option.pdf \(epa.govt.nz\)](#)

The Crown continues to receive cash from the FPO arising from activity in the NZ ETS for prior periods. More information on how the FPO can still be used can be found here:

[FPO-Guidance-2023 final-version.pdf \(epa.govt.nz\)](#)

The table below shows money received from the selling of NZUs at ETS auctions and from the FPO.

**Table 1: Money received from the NZ ETS**

<b>Financial Year</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24 (to date)</b>
<b>ETS Auctions (\$m)</b>	-	-	1,060	2,158	793	31
<b>FPO (\$m)</b>	421	215	369	30	66	190
<b>Total (\$m)</b>	421	215	1,429	2,188	859	221

It is important to note that while the ETS auctions result in the Crown receiving a cash inflow, it must also recognise a corresponding liability on the Crown's balance sheet. That is because when the Crown sells an NZU at auction, that entitles the holder to use the NZU in future to meet a surrender obligation. Similarly, when an emitter uses the FPO to meet a surrender obligation it pays cash to the Crown instead of surrendering an NZU. This means that the Crown receives the FPO cash, but it does not recognise the value of a surrendered NZU. In practice, the FPO creates a loss for the Crown due to the difference in value between the FPO (\$25 or \$35) and the market value of NZUs (\$49 as at 21 May 2024).

Therefore, while the Crown receives money for the ETS, the overall impact on the Crown accounts is more complex.

***I also request what these funds have been used for.***

Treasury allocates money received from the FPO to the government's consolidated fund.

Money received from the ETS auctions was allocated to the Climate Emergency Response Fund (CERF) until 2024. You can find more information on the CERF, here:

<https://www.treasury.govt.nz/information-and-services/nz-economy/climate-change/climate-emergency-response-fund>.

From 2024 revenue from ETS auctions is allocated to the consolidated fund.

***Along with how much funding from the proceeds is retained by the EPA.***

The EPA does not retain any money from the ETS to fund its work.

***I also request how much in total it costs to run the ETS each year.***

The Ministry is responsible for ETS policy development, accounting for revenue and expenditure relating to the surrender and allocation of NZUs, and some ETS operations including the auction service.

The EPA operates the ETS Register and fulfils other operational functions relating to the ETS. The Ministry for Primary Industries (MPI) performs functions relating to forestry in the ETS. The Treasury maintains the Crown's accounts.

Each agency incurs costs within its respective operating budgets to perform these roles.

Responsibility for the ETS sits across multiple government agencies. Because your request has come to us for response, we have treated it as focusing on information held by the Ministry. However, if you are interested in information specific to other agencies, you may wish to contact those agencies for information they hold.

The information provided below relates to the Ministry's annual costs for the past five years in relation to the ETS. These costs reflect a combination of ETS policy and operations work. The costs do not include the costs of support teams such as Legal and Communications.

**Table 2: Annual expenditure on ETS related work programmes at the Ministry for the Environment.**

Financial Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (forecast)
Total expenditure (\$m)	\$2.998	\$4.209	\$6.084	\$4.296	\$5.851	\$7.083

You have the right to seek an investigation and review by the Office of the Ombudsman of my decision relating to this request, in accordance with section 28(3) of the Act. The relevant details can be found on their website at: [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz).

Please note that due to the public interest in our work the Ministry for the Environment publishes responses to requests for official information on our [OIA responses page](#) shortly after the response has been sent. If you have any queries about this, please feel free to contact our Ministerial Services team: [ministerials@mfe.govt.nz](mailto:ministerials@mfe.govt.nz).

Yours sincerely



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