



New Zealand's third ETS auction

New Zealand's third ETS auction of NZUs occurred today. This auction had been highly anticipated given the government's recent affirmative response to the recommendations of the Climate Change Commission. Running into the auction, the secondary market for NZU's crossed over the \$50 mark, signalling the potential for the auction price to trigger the release of extra NZUs from the government's Cost Containment Reserve, into the auction.

In today's auction we did see the first triggering of the Cost Containment Reserve as the clearing price breached \$50.00. With 43 bidders demanding a total of 18.6 million units, the auction cleared at \$53.85 with the total possible volume of 11.75 million (including the entire 7 million available in reserve) NZUs sold. The Carbon Fund participated in the auction, acquiring NZUs for its investors.

As highlighted earlier, this auction followed the announcement from the Government that it was updating the NZU ETS unit limit and auction price control settings for 2022-2026. The most significant changes occur in 2022, with the minimum price below which units must not be sold by auction increased from \$20.40 to \$30.00. The trigger price for the sale of the reserve amount of NZUs (known as the Cost Containment Reserve) increased from \$51.00 to \$70.00. Every year the minimum price and the trigger price increased as per the table below. It is not until 2025 that the reserve volume starts to decrease.



Calendar Year	Minimum price below which units must not be sold by auction (\$)		Trigger price for sale of reserve amount of NZUs (\$)		Reserve amount of NZUs (millions)	
	Current	Updated	Current	Updated	Current	Updated
2022	\$20.40	\$30.00	\$51.00	\$70.00	7.00	7.00
2023	\$20.81	\$32.10	\$52.02	\$78.40	7.00	7.00
2024	\$21.22	\$34.35	\$53.06	\$87.81	7.00	7.00
2025	\$21.65	\$36.75	\$54.12	\$98.34	6.90	6.80
2026		\$39.32		\$110.15		6.70

The last ETS auction this year will occur on December 1, where there will be no reserve available, just the allocated 4.75 million units per auction for 2021.

