

NZ ETS Auction Process Announcement

The Ministry for the Environment (MfE) yesterday announced details around the replacement of the fixed price option (FPO) with NZU auctions to cover 2021 emissions.

This follows a surge of buyers and sellers, emitters and foresters, joining emsTradepoint's carbon trading platform and the posting of live offers.

The FPO, [raised from \\$25 to \\$35 for 2020](#), will be replaced by the auction process as a means of allocating new NZUs for parties with 2021 obligations. Four auctions of up to 4.75 million each will be held on 17 March, 23 June, 01 September and 01 December 2021; a total allocation of 19 million units.

Unsold units will be rolled over into the next auction within the same calendar year. If auction prices exceed \$50, an additional seven million NZUs will be made available out of the cost containment reserve. A price floor of \$20 for NZUs has been set for 2021 by MfE.

The change in the FPO, rise in spot prices and the advent of the auction process are all driving an interest in the NZU market. emsTradepoint is central to facilitating greater depth and liquidity in this market offering transparent pricing, end-to-end settlement and anonymity for Participants.

If you would like to know more about **how to become a trading or view-only Participant** to the emsTradepoint carbon market feel free to [get in touch with us](#).

Overview of the Auction process

The auction will be administered under the following criteria:

- open to all New Zealand Emissions Trading Register account holders,
- an auction notice will be posted 30 days prior to each auction – all bidders are required to register,
- the auctioning will have a sealed bid, single-round, uniformly priced format,
- collateral will be required prior to bids being accepted,
- minimum bid is 500 units, and,
- all bidders pay the same clearing price.

[The Climate Change \(Auctions, Limits, and Price Controls for Units\) Regulations 2020](#) set out the rules for auctions along with the limits and price controls that apply to auctions under the [Climate Change Response Act 2002](#). These regulations were set on 24 September 2020 and come into effect on 4 January 2021. MfE has stated is has not been able to progress the Technical Reserve Price mechanism under the Climate Change Response Act at this time.

MfE is now preparing for the first scheduled auction. **For more details** on what has been discussed in this article visit the [update provided on MfE's website](#).