

Wednesday, July 26, 2023

Carbon Fund welcomes the Government's updated ETS auction settings

Salt Investment Funds Limited, the manager of the Carbon Fund, welcomes the government decision to adjust the Emissions Trading Scheme (ETS) auction settings late yesterday.

In summary, these changes include:

- Auction price floor settings will rise from the current level of \$33.06 to \$60 in December 2023, with further increases thereafter.
- In December 2023, the price to trigger any release of extra NZU volumes from the Cost Containment Reserve (CCR) will be \$173 rather than the current trigger price of \$82.
- In 2024, the total CCR volume will decrease from 8 million NZUs under the current settings to 7.7 million NZUs, and will continue decreasing in the following years.

The government has accepted most of the Climate Change Commission recommendations from 2022 but has made earlier cuts to the volume of units available at auction thereby smoothing out the steep rate of decline that would have otherwise been needed from 2026.

This table shows the outcome of the decision versus the existing settings:

	2023	2024	2025	2026	2027	2028
NZU Auction Units Available (millions)	15.0	14.2	12.6	10.7	9.1	6.9
Auction Unit Reduction vs Current Setting (millions)	-2.9	-2.9	-2.7	-2.8	-2.6	N/A
NZU Minimum Auction Price	\$60.00	\$64.00	\$68.00	\$72.00	\$75.00	\$79.00
Minimum Price Increase vs Current Setting	+\$26.94	+\$28.10	+\$29.33	+\$30.55	+\$30.65	N/A
Cost Containment Reserve Trigger Prices	\$173.00 \$216.00	\$184.00 \$230.00	\$194.00 \$243.00	\$205.00 \$256.00	\$215.00 \$269.00	\$226.00 \$283.00
CCR (2023) Units available (millions) Tier 1 & Tier 2		2.8 4.9	2.6 4.5	2.3 4.2	2.1 3.8	1.9 3.4
CCR (2023) Total reserve Units available (millions)	8.0	7.7	7.1	6.5	5.9	5.4

More information can be found here: <https://environment.govt.nz/news/government-announces-updated-nz-ets-auction-settings/>

The Carbon Fund is managed by Salt Investment Funds Limited, a wholly owned subsidiary of Salt Funds Management Limited. The Product Disclosure Statement can be found on www.carbonfund.co.nz

About Salt Funds Management Limited

Salt Funds Management is an award-winning boutique funds management firm, with NZ\$2billion in funds under management. Using proprietary research Salt specialises in managing New Zealand and Australian listed equity and listed property portfolios. It operates an active investment philosophy of seeking to invest in companies with strong management, which operate within sound industry structures and generate superior shareholder returns. For more information, please visit: www.saltfunds.co.nz

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