

6 October 2022

Ministry for the Environment

By email to [etsconsultation@mfe.govt.nz](mailto:etsconsultation@mfe.govt.nz)

Dear ETS consultation team

### Proposed changes to NZETS limit and price control settings

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Ministry for the Environment consultation document "Proposed changes to New Zealand Emissions Trading Scheme limit and price control settings for units 2022" published 9 September 2022.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. Attached and to be read as part of the submission from MEUG is an independent expert report by Mike Hensen, Senior Economist, NZIER "ETS settings 2023-27, Comment on Electricity price modelling." The NZIER report shows the Climate Change Commission modelling does not present usable projections of retail price changes and assumes a painless transition from fossil fuel to wind and solar generation. The NZIER report casts considerable doubt on the robustness of the Climate Change Commission modelling of the effect of alternative NZU prices on electricity prices over the near-term, i.e., next year, 2023, through to 2027. The overwhelming conclusion is that the Commission has materially underestimated the impact on consumers of proposed changes in ETS settings.
4. For every \$10/MWh that the Commission has underestimated the near-term years impact, the residential sector consuming around 13 TWh per annum, will be poorer by \$130m per annum. The Commission's advice may have underestimated the wholesale price impact by many tens of dollars per MWh and hence the cost to the residential sector of several hundreds of millions of dollars per annum.

Yours sincerely



Ralph Matthes  
Executive Director

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<sup>1</sup> Document URL <https://environment.govt.nz/assets/publications/nzets-units-limits-consultation-document.pdf> at <https://consult.environment.govt.nz/climate/nz-ets-limit-and-price-settings-2022/>