

Official Information Act Request

Requester's details

Date: 6 April 2022

Name: Simon Johnson

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Reference number: ENQ-43587-N4W2S1

Tēnā koe e Simon

Thank you for your request received on 9 March 2022 for the following information relating to the industrial allocation of NZUs to New Zealand Aluminium Smelters Ltd (NZAS) as an NZETS participant:

"The most recent 'final' allocation to NZ Aluminum Smelters Limited is for 2020 and is 1,558,268 NZUs.

Will you please check the following estimate? Please let me know if I have misunderstood anything.

The 2020 final production of 'product' may be calculated as the final 2020 allocation divided by the final 2020 allocative baseline (5.194) from Regulation 7 of the Climate Change (Eligible Industrial Activities) Regulations 2010. $1,558,268 / 5.194 = 300,013.1$ tonnes.

The 2021 provisional allocation may then be calculated as 2020 production 300,013.1 multiplied by the provisional 2021 allocative baseline (5.130) from Regulation 7 of the Climate Change (Eligible Industrial Activities) Regulations 2010. $300,013.1 \times 5.130 = 1,539,067$.

Will you please confirm to me if this calculation is correct? And that NZ Aluminum Smelters Limited received 1,539,067 NZUs as a provisional 2021 industrial allocation? This is really a request to know what the provisional 2021 industrial allocation to NZ Aluminum Smelters Limited was and how it was calculated.

According to "Key dates in the ETS" (<https://www.epa.govt.nz/industry-areas/emissions-trading-scheme/participating-in-the-ets/>), an Annual Emissions Return must be submitted by 31 March and an Industrial Allocation application must be submitted by 30 April.

When did the EPA transfer to NZ Aluminum Smelters Limited the 2021 provisional allocation? I assume it must be after 1 May 2021? Is the transfer of provisional allocations disclosed on the EPA website?"

Your calculations were close but did not include the level of assistance which means that the numbers were slightly out.

The formula used to calculate the provisional allocation is $PA = LA \times \text{SUM} (PDCT \times AB) / TM$ as required by section 81 and 84a of the Climate Change Response Act. The variables in this formula are set out in the table below.

The provisional allocation calculation is:

$$0.89 \times \text{SUM} (333,348 \times 5.13) / 1 = 1,521,966$$

| Activities for this application | | | | | | | | | |
|---------------------------------|----------------------------|--------------------------|-----------------------------------|--------------------------|-----------------------------------|------------|-------------------|---------------------------|-------------------------|
| Activity | Product | Level of assistance (LA) | Level of assistance (LA year - 1) | Allocative baseline (AB) | Allocative baseline (AB year - 1) | PDCT x AB | PDCT x AB year -1 | Transitional measure (TM) | Production total (PDCT) |
| Aluminium smelting | Primary aluminium (tonnes) | 0.89 | 0.9 | 5.13 | 5.194 | 1710075.24 | 1731409.512 | 1.0 | 333348 |

So, based on the calculation using the correct level of assistance, the provisional allocation for 2021 was 1,521,966.

The allocation was transferred on 5 May 2021 and included both the provisional allocation as well as any adjustment to square up the 2020 provisional allocation. This square up may result in the person being liable to repay a number of units or being entitled to be allocated additional units, depending on actual production for the previous year.

As part of the 2022 allocation process currently underway, NZAS will square up the entitlement from last year by carrying out an annual allocation adjustment which is included in the Provisional Allocation calculation.

There has been a change to the Allocative Baseline in 2022 relating to the electricity component, and this will have an effect on the final allocation for 2021. The EPA is not in a position to speculate what that might be until after the EPA has processed the NZAS application.

The transfer of provisional allocations is not disclosed on the EPA website. We only publish Final Allocation details.

You have the right to seek an investigation and review by the Ombudsman of this decision. You can contact the Ombudsman on 0800 802 602, or by email at info@ombudsman.parliament.nz

If you have any further queries, please do not hesitate to contact us via ministerials@epa.govt.nz

We may publish your request and our response on our website, www.epa.govt.nz. We make OIA responses available so others can read more about the work we do and the questions we are asked. Any information that might identify you will be removed to protect your privacy.

Nāku noa nā



Michelle Ward
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