

## **Where might the NZ ETS price be heading?**

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The NZ ETS price has risen substantially and consistently over the last decade on the back of a series of market reforms. From its low point in May 2013 of less than \$2 per unit, the NZ ETS price has traded over \$70 in early 2022. At current prices, the question about where this market will head to in the future is now a multi-billion dollar topic. This presentation will seek to provide some perspectives on the future NZ ETS price by exploring three topics. Firstly, what drives people to deliver forecasts for future carbon prices that are so high? The process of forecasting carbon prices tends to mean that the more analytical, quantitative and responsible that the forecaster is, the higher the carbon price that they will predict – and this might be a problem. Secondly, who are these speculators in the NZ ETS market that we hear so much about? It is very easy to point to new participants in the market and call them speculators, but might this be the pot calling the kettle black? Lastly, some perspectives on the future NZ ETS price from looking at the volume fundamentals of the scheme. Too little attention has been paid to these fundamentals in the past as commentary about the NZ ETS price has tended to focus on what people want the price to be, what people assume that the price will get to and what the price trends are in other markets overseas.