



Implications of a tuned up ETS

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Disclaimer:

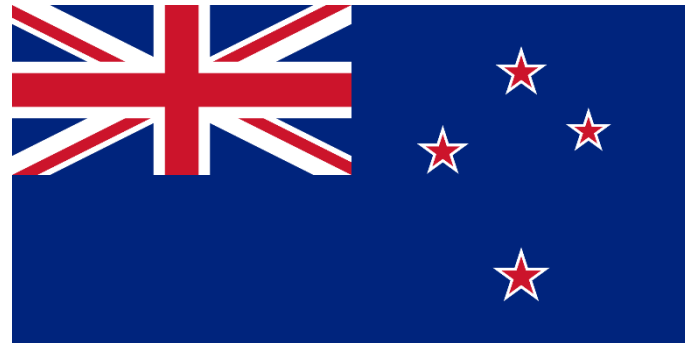
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The current price of NZUs

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\$25.25



OMF & CommTrade



CONTRACT DESCRIPTION (NZ\$)	BEST BID	BEST OFFER	LAST/FIX
NZUs - Spot	25.05	25.50	25.25
NZUs - April 2019	25.50	25.70	25.60
NZUs - April 2020	26.20	26.80	26.50
NZUs - April 2021	27.00	27.80	27.40
NZUs - April 2022	27.80	28.80	28.30
NZUs - April 2023	28.70	30.00	29.35
Australian ACCUs - Spot - AUD\$	14.00	16.50	15.25

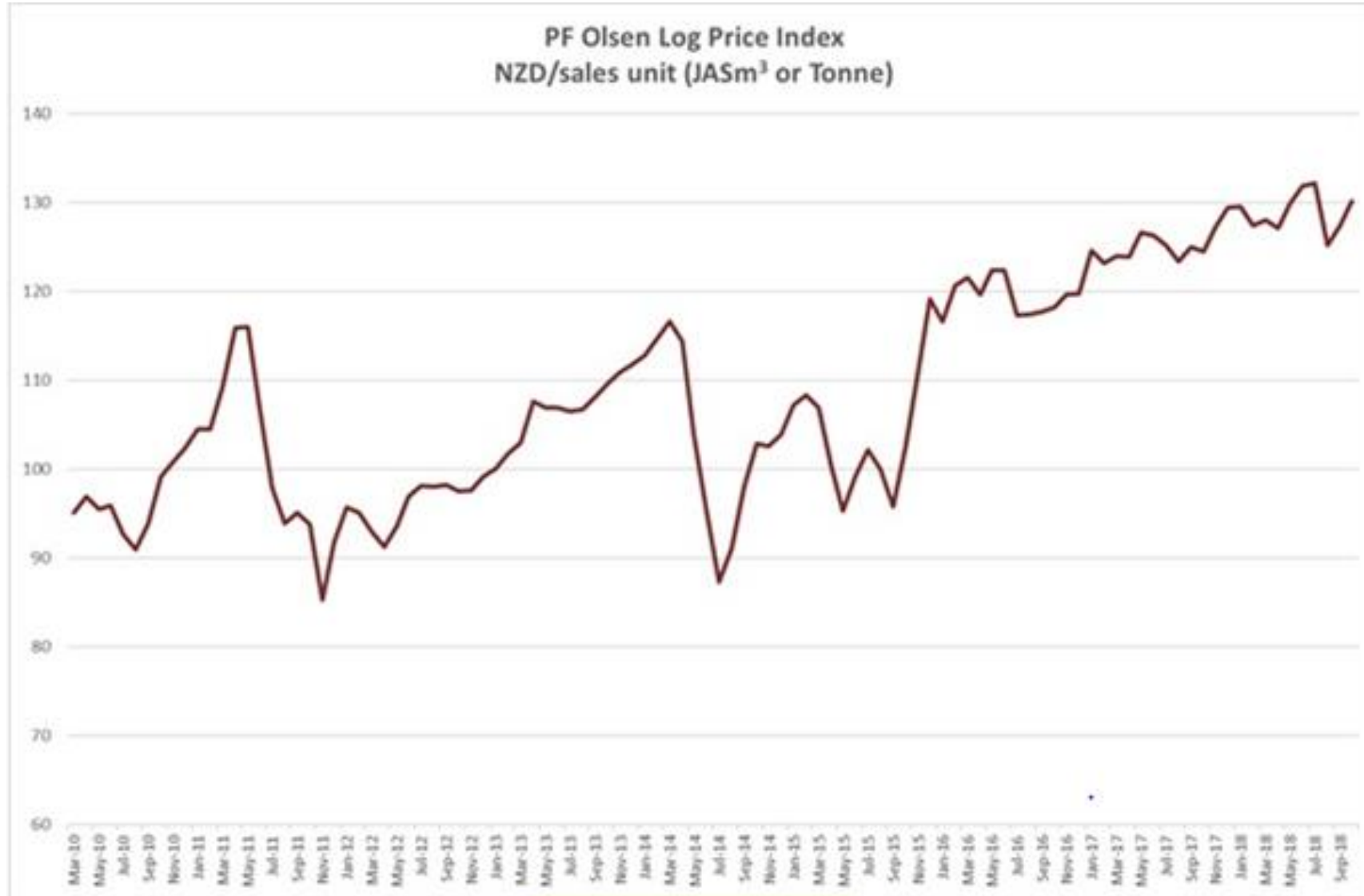
www.commtrade.co.nz

Why is the NZU price here?

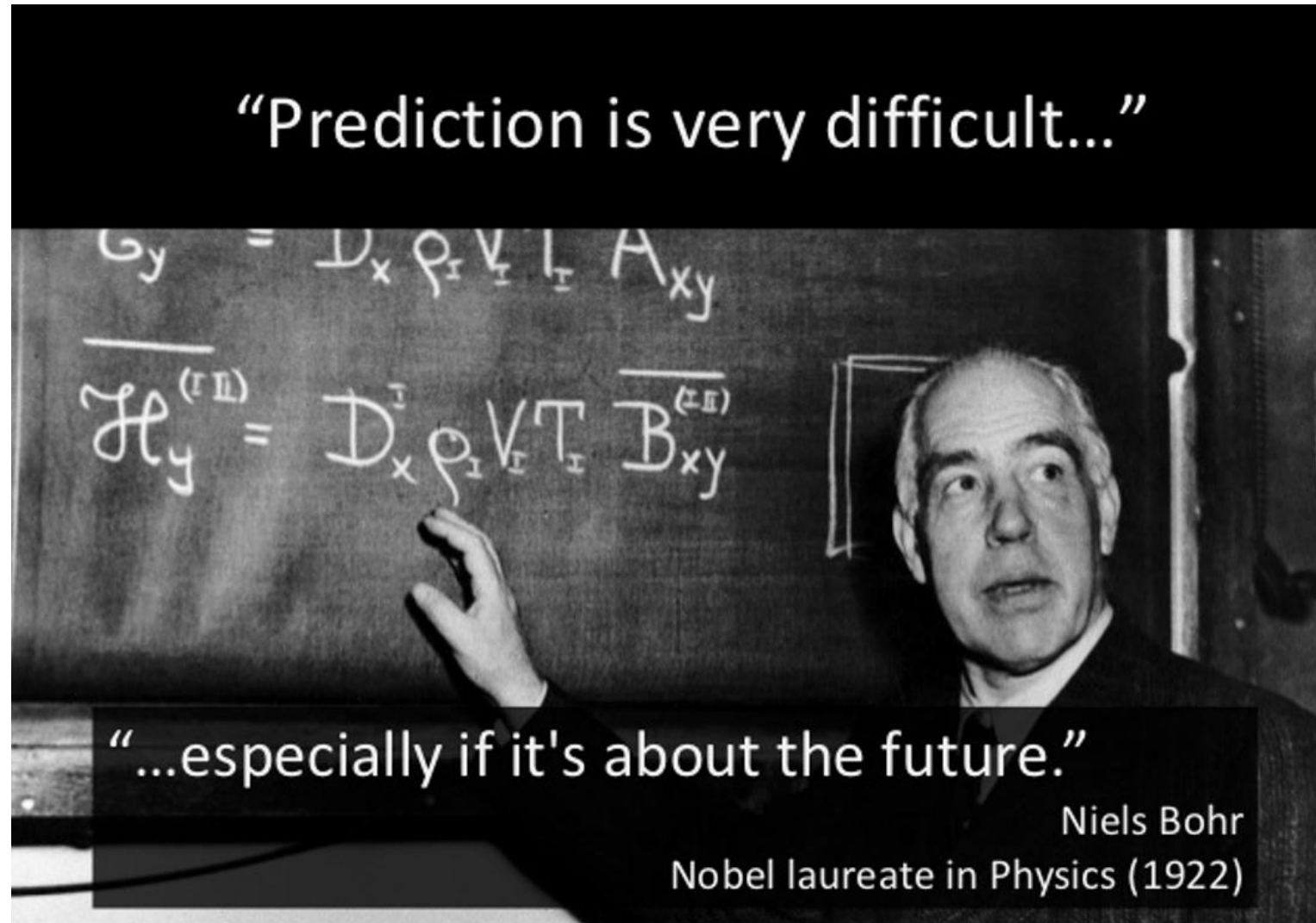
In no particular order.....

- ✓ Weak domestic settings are disappearing
- ✓ Domestic ambition is ramping up
- ✓ Global prices are increasing
- ✓ The ETS is about to change (completely)
- ✓ Little to no supply

Why is there no supply?



Where is the price going?



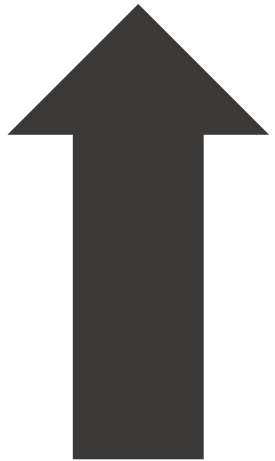
If trends are any indication..... Up!

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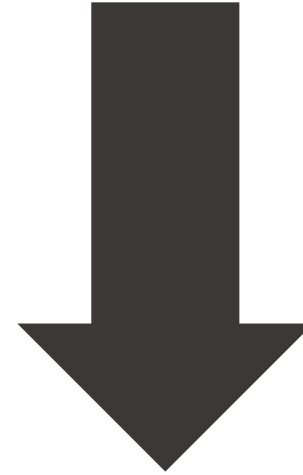
Why could it go up?

- ✓ Many (many) countries need access to international markets
- ✓ Everyone seems to want to import – who will export?
- ✓ Stiglitz/Stern/IPCC/World Bank - US\$75 to US\$125 by 2030
- ✓ The cost to decarbonise isn't cheap



Why could it go down?

- ✓ Failure to act
- ✓ Failure to coordinate policy
- ✓ Global Financial Crisis II
- ✓ Technology impacts



How to manage price risk

- ✓ First – understand your risk in order to manage it
- ✓ Create an average – in price and possibly different instruments
- ✓ Buy spot & forward
- ✓ Negotiate offtakes
- ✓ Buy or plant a forest
- ✓ Consider & understand financial structures
- ✓ Know that doing nothing is doing something

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