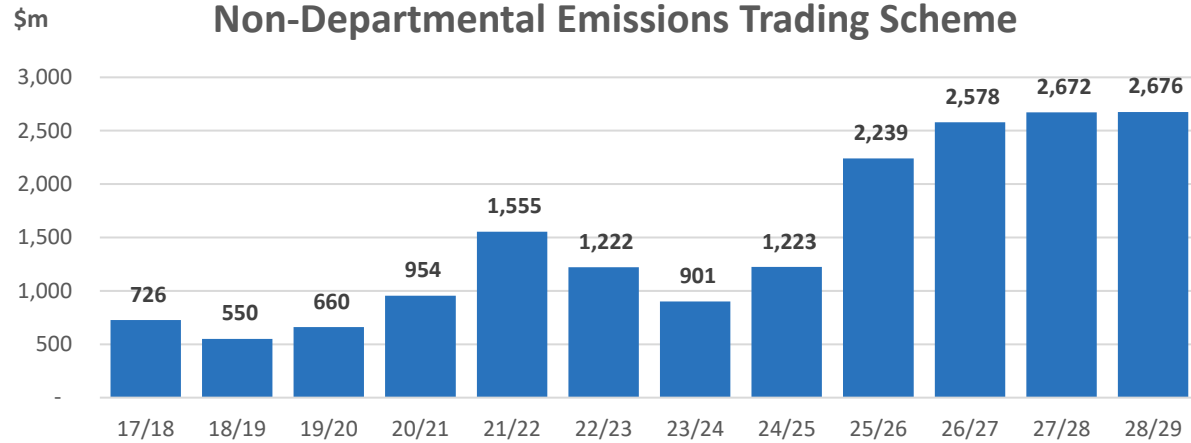


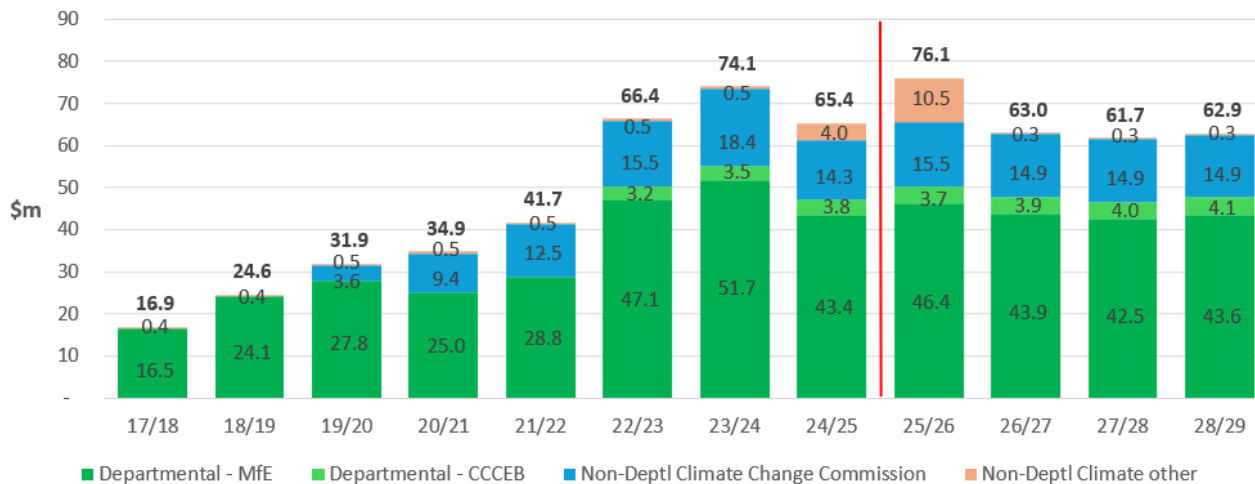
VOTE ENVIRONMENT (CLIMATE CHANGE)

Non-Departmental Emissions Trading Scheme



Emission Trading Scheme appropriations are mainly driven by Allocation of New Zealand Units (NZUs) appropriation. There is an increase in the Allocation of New Zealand Units appropriation for 2026/27 and outyears mainly due to additional allocations forecast for the post-1989 forestry sector. Allocation of NZUs appropriation is based on \$100 per unit. Actual expense will be based on the market price at the time of transactions. NZU price of \$57.40 as of 31 March 2025 was used for forecasting purposes.

Departmental & Non-departmental Climate Appropriations (excl ETS related*)



Climate Appropriation Movements between 2024/25 and 2025/26

The departmental and non-departmental budget for 2025/26 is \$76.1m, this is a \$10.7m increase compared with the current year 24/25 Forecast of \$65.4m. This is mainly due to:

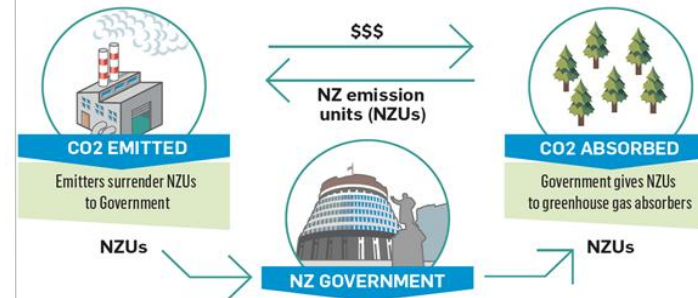
- a \$3.0m increase in the Ministry for the Environment's departmental funding arising from:
 - ✓ an increase of \$2.4m in the phasing of the climate data infrastructure work programme;
 - ✓ an increase of \$1.4m due to phasing of the salary/wages contingency drawdown; and
 - ✓ a reduction of \$0.8m in the phasing of the B24 climate baseline savings initiatives.
- a \$6.4m increase in Climate Resilience for Māori non-departmental platform as current year underspends are transferred to the remaining funding in the MYA next year, leaving \$10.2m available.
- a \$1.2m increase in the Climate Change Commission funding profile due to the 24/25 return of the remaining agricultural emissions pricing advisory function funding (\$2.4m), offset by the commencement of the 7.5% baseline savings in 25/26 (\$1.2m ongoing). 24/25 and 25/26 also include a one-off \$0.6m p.a. capital to opex swap.

*excludes ETS cash and non-cash appropriations which are included in the top graph and the table on the right

Emissions Trading Scheme (ETS)

The ETS puts a price on greenhouse gas emissions. Businesses across all sectors of the economy (except agriculture) are required to purchase and surrender units (NZUs) to the Government to account for their emissions. Emissions costs filter through the supply chain, incentivising lower emissions goods and services.

Government controls the number of NZUs and allocates them to participants. **Emitters** acquire NZUs and surrender them back to the Government for their emissions. **Removers** earn NZUs for their activities removing emissions (e.g. foresters). NZUs can be traded between emitters and removers, thus creating a market price. The government has a fixed price option (FPO) of \$35/NZU for emissions produced in 2020 calendar year, with no FPO available for subsequent years. Instead, from 2021 the Government sells a limited volume of NZUs directly to the market via auction. Auctions in September 24 and March 25 were declined. December 24 has seen 4.03m NZUs released, generating revenue of \$258m sent to (and directly recorded by) the Crown (From March 21 to June 24 – 55.3m NZUs - \$3.51bn).



Revenue, \$m	24/25 Forecast	25/26 Budget	Type	Description
Emissions Trading	2,488	2,578	Cash/Non Cash	NZUs due to be surrendered at the market price. This excludes auction revenue.
Expense, \$m	24/25 Forecast	25/26 Budget	Type	Description
Allocation of NZUs	1,193	2,045	Non cash	NZUs expected to be allocated to the market. Appropriations assume a price of \$100 per NZU. Actual Expense will be recognized based on the market price at the time of transactions. Forecast is calculated at \$57.40 price as of 31 March 2025.
Loss on Sale of NZUs	22	40	Non cash	Recognition of market price variance to the FPO. Estimate = market is \$22 over FPO per NZUs. This applies where participants (primarily the Forestry sector) can continue to use the FPO for emissions produced during 2020 calendar year and prior.
Impairment of Debt re CC	-	147	Non cash	To reflect non-recovery risk (i.e. participant liquidation). Over the period from 1 July 2014 to 31 March 2025, actual impaired debt is only \$12.4m.
Other	8	7	Cash	Funding EPA for operation of the scheme
TOTAL EXP	1,223	2,239		

