



PROACTIVE RELEASE COVERSHEET

Minister	Hon Simon Watts	Portfolio	Climate Change
Name of package	2025 NZ ETS Regulatory updates	Date to be published	Upon approval by the Minister

List of documents that have been proactively released

Date	Title	Author
17 July 2025	BRF-6385 Approval to issue drafting instructions for NZ ETS regulatory updates 2025 Appendix 1 Overview of proposals for delegated NZ ETS annual regulatory updates 2025 Appendix 2: Matters the Minister must have regard to before amending the Climate Change (General Exemptions) Order 2009	Ministry for the Environment
18 September 2025	Amendments to the New Zealand Emissions Trading Scheme (NZ ETS) Regulations 2025	Ministry for the Environment
18 September 2025	LEG-25-MIN-0188 Cabinet Legislation Committee Minute of Decision	Cabinet Office

Information redacted YES X NO

Any information redacted in this document is redacted in accordance with the Ministry for the Environment's policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Summary of reasons for redaction

Some information has been withheld due to commercial sensitivity under Section 9(2)(b)(ii) of the Official Information Act.



Briefing: Approval to issue drafting instructions for NZ ETS regulatory updates 2025

Date submitted: 17 July 2025

Tracking number: BRF-6385

CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS Minister of Climate Change	Agree to issue drafting instructions for NZ ETS regulatory updates outlined in this briefing.	21 July 2025

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment (advice@mfe.govt.nz).

Appendices and attachments
Overview of proposals for delegated NZ ETS annual regulatory updates 2025. Matters the Minister must have regard to before amending the Climate Change (General Exemptions) Order 2009.

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Melita Foster		
Responsible Manager	Simon Mandal-Johnson	9(2)(a)	✓
General Manager	Mark Vink		

Minister's comments

Approval to issue drafting instructions for NZ ETS Regulatory updates 2025

Key messages

1. We seek your approval of 11 updates to the NZ ETS regulations and to issue drafting instructions to the Parliamentary Counsel Office (PCO). Amendments are required to be notified in the NZ Gazette by 30 September 2025 to allow for the required three month stand down period so that they can come into force on 1 January 2026.
2. There are 15 proposed updates to the NZ ETS regulations this year. For 11 of the proposed updates, Cabinet has delegated to you authority to issue drafting instructions following consultation (CAB-24-MIN-0156). These include reporting and calculation updates, operational fixes and correcting referencing errors, such as setting the 2026 price of carbon and updating the synthetic greenhouse gas levies.
3. We recommend each of the 11 regulatory proposals are advanced to amendment regulations and seek your agreement to issue drafting instructions to the PCO. Proposals are outlined in detail in Appendix 1. Statutory pre-requisites are addressed in the body of this briefing.
4. There are four proposals that you do not have delegated authority for as they are non-routine. They are:
 - a. Management of rollover of auction volumes
 - b. Clarify how to apply the oxidation factor in landfill gas modelling
 - c. Add reporting requirements for destroyed landfill gas
 - d. Require waste participants to use compositional time series data in landfill gas modelling.
5. Advice on these remaining four updates will be provided to you in the forthcoming NZ ETS unit limit and auction price controls (NZ ETS settings) briefing planned for 24 July and will then go back to Cabinet for agreement.
6. We will come back to you in September to seek approval the changes. Amendment regulations are scheduled to go to the Cabinet Legislation Committee in September, alongside the ETS settings decisions.

Recommendations

We recommend that you:

- a. **note** that the Cabinet Economic Policy Committee delegated authority to the Minister of Climate Change to issue drafting instructions on minor and technical updates to NZ ETS regulations [CAB-24-MIN-0156 refers]
- b. **agree** to the following nine technical regulatory updates as outlined in appendix 1 of this briefing:
 - i. Update default emission factors for natural gas activities to reflect changes in composition of mined natural gas and the opening of new fields, using the average of the previous year's emissions returns Yes | No
 - ii. Update default emissions factors for geothermal activities to reflect the rolling average methodology using 2023-2025 datasets Yes | No
 - iii. Update tariff codes for Synthetic Greenhouse Gas Levies to align with Customs' Working Tariff Document Yes | No
 - iv. Amend emissions reporting requirements for natural gas mining to capture CO₂ sold from natural gas processing Yes | No
 - v. Amend the collateral window for ETS auctions from 5 working days to 3 working days Yes | No
 - vi. Remove statutory declaration requirements for participants when removing a joint account holder, removing a primary representative and closing an account Yes | No
 - vii. Correct erroneous cross-reference to the definition of a qualified person in the Climate Change (Unit Register) Regulations 2008 Yes | No
 - viii. Update the reference to the geospatial information mapping standard in the Climate Change (General Exemptions) Order 2009 to enable the current standard to apply Yes | No
 - ix. Update erroneous cross-references in the Climate Change Response (Infringement Offences) Regulations 2021 to enable fees and fines to be issued. Yes | No
- c. **note** that the Minister of Climate Change has a standing delegation (from BRF-4916 and paragraph 7.95 of the Cabinet manual) to make two specific technical updates related to the Synthetic Greenhouse Gas Levy (in addition to the update items delegated), and that these also did not require public consultation
- d. **agree** to set the 2026 price of carbon for the purposes of the synthetic greenhouse gas levy at \$59.37 Yes | No
- e. **agree** to update synthetic greenhouse gas levies in schedules 1 and 2 of the SGGL regulations using that price of carbon Yes | No
- f. **approve** officials to issue drafting instructions to PCO for each item Yes | No

- g. **note** that there are four proposals not included in these updates, as they are not purely technical matters, and advice on proposed options for these will be provided in the NZ ETS settings briefing and Cabinet paper planned for 24 July.

Signatures

Simon Mandal-Johnson
Manager
ETS Policy
17 July 25

Hon Simon WATTS
Minister of Climate Change
Date

Approval to issue drafting instructions for NZ ETS regulatory updates 2025

Purpose

1. This briefing seeks your approval for purely technical updates to the NZ Emissions Trading Scheme (ETS) regulations and requests authorisation to issue drafting instructions to the Parliamentary Counsel Office (PCO).

Background

2. In May this year, Cabinet gave approval to consult on NZ ETS unit limits and auction price control settings (NZ ETS settings) and technical regulatory updates together [ECO-25-MIN-0074 refers, CAB-25-MIN-0171 confirms]. Consultation has now closed.
3. Cabinet has delegated post consultation decisions on purely technical NZ ETS regulatory matters to you [ECO-24-MIN-0075 refers, CAB-24-0156 confirms]. This includes authority to issue drafting instructions to the PCO.
4. This delegation was also for future years and defines 'purely technical matters' as:
 - a. Routine updates to default and unique emissions factors (provided there are no changes to how participants report their emissions), or any significant economic or other implications.
 - b. Correct errors in the NZ ETS regulations.
 - c. Make similar minor or technical changes consistent with Government policy.

Analysis and advice

5. Appendix 1 outlines the proposed purely technical updates to the NZ ETS regulations for 2025. These have not changed substantively from the proposals in the consultation document. Submitters were largely supportive of the changes as proposed. Further detail on feedback for each update is provided in the appendix.
6. The proposals can be broadly categorised as:
 - a. Reporting and calculation updates (either to reflect new data or address existing data errors) and include updates to the synthetic greenhouse gas levies, as detailed below
 - b. Operational improvement fixes, to improve how the scheme works for specific groups, in specific circumstances
 - c. Changes to correct or amend references within or between related regulations.

7. The Minister has authorisation to make these regulations under sections 60, 30G, 30GA, 30M, 30W, 163, 164, 245, and 246 of the Climate Change Response Act 2002 (CCRA).
8. Under sections 3A and 3B of the CCRA, you must consult, or be satisfied that the chief executive has consulted, representatives of iwi and Māori likely to have an interest in the regulations, and persons that appear likely to be substantially affected by the regulations. Officials carried out public consultation that included a discussion document, opportunity to provide feedback online, two webinars and targeted engagement with 9(2)(b)(ii) [REDACTED]. Officials did not receive specific feedback on any regulatory updates. One submission was received by a Māori representative group who stated that they were supportive of the regulatory updates as proposed in the consultation document.
9. Regulations made under section 30G must be consistent with international obligations (refer section 30G(4)). The proposed changes to the Climate Change (Unit Register) Regulations 2008 will retain consistency with international obligations because the correction of the cross-referencing error will enable regulations to function in line with original policy intent.
10. Before recommending the making regulations under section 30M, you must be satisfied, after consulting the Minister of Justice, that a contravention of each duty, restriction, or prohibition is sufficiently minor to be appropriate as an infringement offence. The proposed changes to the Climate Change Response (Infringement Offences) Regulations 2021 are to correct cross-referencing errors so remain consistent with the original policy intent as consulted on previously and accordingly further consultation with the Minister was not needed.
11. Before recommending the making of an order under section 60, you must satisfy the requirements of subsections 60(2) and (3) (please refer to Appendix 2). We consider the proposal to enable the geospatial information mapping standard to remain current in the Climate Change (General Exemptions) Order 2009 is consistent with these requirements as it will continue to reflect the current policy intent.
12. Before recommending the making of regulations under sections 163(1)(a) or 163(1)(b), you must have regard to international climate change obligations in respect of collecting data and information relating to emissions and removals (section 163(5)). In respect of the changes to the reporting requirements for CO₂ sold by natural gas mining in the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009, this ensures that emissions from that activity will be included in NZ ETS obligations. The emissions are included in New Zealand's international reporting and use information from the NZ ETS participant. The change is aligned with international data and information requirements.

Synthetic Greenhouse Gas Levy updates

13. Synthetic greenhouse gas levies (SGGL) apply to importers of goods containing synthetic greenhouse gases, such as fridges, and to people who first register a vehicle in New Zealand. These levies are meant to 'level the playing field' for New Zealand manufacturers by reducing the economic impact caused by the NZ ETS coverage of bulk imported synthetic greenhouse gases. The levy rates reflect recent emission unit prices through the 'price of carbon' in the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013 (SGGL Regulations).

14. The carbon price and levy rates in the SGGL Regulations are updated each year. These updates are a separate matter to the technical changes detailed in appendix 1, as consultation is not required and no policy decisions are needed. As these amendments are routine and do not require new policy decisions, they do not require Cabinet approvals (see paragraph 7.95(d) of the Cabinet Manual).
15. Levy rates are prescribed in Schedule 1 (motor vehicles levy schedule) and Schedule 2 (goods levy schedule) of the SGGL regulations. Each item subject to the levy attracts a different levy rate depending on the amount of SGG in the item and the global warming potential of that SGG.
16. We seek your agreement to:
 - a. Update the prescribed “price of carbon” to \$59.37
 - b. Update the SGGL rates based on the updated price of carbon.

Price of Carbon

17. The price of carbon specified by the regulations has two purposes:
 - a. Calculating penalties for NZ ETS non-compliance, for example where they are based on an estimated value of units that were not surrendered
 - b. Calculating the SGGL rates.
18. The methodology for calculating the price of carbon is set in regulations and is based on a rolling average of the NZU prices over the previous financial year (1 July to 30 June).¹ The Minister has no discretion in the calculation of the carbon price.
19. Using the prescribed methodology, the new price of carbon for 2026 is calculated to be \$59.37, which is a less than 5% decrease from last year’s price. This follows a decrease of 13% in the price of carbon for 2025. Table 1 below shows the history of the price of carbon since 2021.

Table 1: Annual price of carbon prescribed in regulations

	2021	2022	2023	2024	2025	2026
Price (NZD)	25.60	36.50	67.63	71.97	62.32	59.37 (proposed)

20. You are required by section 30W of the CCRA to consider three matters before recommending the making of regulations that set the price of carbon. This requirement provides for an annual check of the appropriateness of the methodological regulations that calculate the price of carbon. Our advice on the s30W matters is provided in table 2 below.
21. There are fiscal implications from reducing the price of carbon and the levy rates. We estimate there will be approximately \$0.9m less SGGL revenue in 2026, all other things

¹ Regulation 9 of the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013

being equal.² We have discussed this impact with Treasury officials and agreed that this change will be noted as a forecast adjustment in your Cabinet paper that accompanies the final amendment regulations, with no need to seek specific funding.

Table 2: Matters the Minister of Climate Change must consider before recommending regulations to update the price of carbon

CCRA subsection	Matter to take into account	Our advice
30W(2)(a)	The price of units used to calculate revenue from the NZ ETS in the Crown annual financial statements in the preceding 12 months.	The calculated carbon price is not materially different to the NZU price used to reflect NZ ETS revenue, which uses month end NZU values.
30W(2)(b)	The price of NZUs sold by auction in the preceding 12 months.	There have been four auctions in this period. Only one of these auctions (partially) cleared at a clearing price of \$64.00.
30W(2)(c)	Any changes to the operation of the NZ ETS that have affected the price of the units surrendered, or may do so, before the end of the next levy year.	There have been no significant changes to the operation of the NZ ETS affecting the NZU price over the last financial year. There will be a series of policy decisions over the next financial year, but it is not possible to estimate the cumulative impact of those decisions on the future market price for NZUs.

Next steps

22. Upon your approval, officials will send drafting instructions to the Parliamentary Counsel Office for amendment regulations.
23. You will receive advice on NZ ETS settings as well as the remaining four regulatory updates on 24 July. Your recommendations on those matters are due to be considered by the Cabinet Business Committee on 4 August where you will also seek approval to issue drafting instructions for amendment regulations. The combined sets of amendment regulations need to be considered by Cabinet Legislation Committee in September to allow the new regulations to be published no later than 30 September 2025.

² Total SGGL payments were \$21m in 2024/25.

Appendix 1: Overview of proposals for delegated NZ ETS annual regulatory updates 2025

Regulation	Topic	Proposed change	Rationale	Feedback from consultation
Reporting and calculation				
Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (SEIP Regulations)	1. Update Default Emissions Factors (DEF)s for natural gas activities	<p>DEFs for natural gas activities need to be updated annually to reflect the composition of mined natural gas over time, and to account for the opening of new fields. These are calculated using the average of the previous year's emissions return.</p> <p>We propose to update schedule 2, table 10 of the SEIP regulations to state the DEFs for natural gas activities.</p>	<p>This update meets the definition of purely technical as a routine update of DEFs.</p> <p>If DEFs are not updated annually, they become out of date. This impacts on the quality of data and accuracy of emissions costs.</p>	There were four responses to this update, two agreed with the proposal and two were unsure.
Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (SEIP Regulations)	2. Update DEF for geothermal activities	<p>This update will set new DEFs using the rolling average methodology that was updated last year.</p> <p>We propose to use the UEFs or DEFs (where there is no UEF) from the 2023-2025 (the most recent data available) to set the 2026 DEFs</p> <p>We propose to update Schedule 2, table 6 of the SEIP regulations with new DEFs.</p>	<p>This meets the definition of purely technical as a routine update to default emission factors.</p> <p>Using data from the 2023-2025 period is more reflective of current practice by using the most up to date data available.</p>	There were three responses to this proposal. Two preferred data for the period 2023-2025 and one preferred data for the period 2022-2024.
Climate Change (Synthetic Greenhouse Gas Levies)	3. Update tariff codes for SGG levies	As a result of the Agreement on Climate Change, Trade and Sustainability (ACCTS), tariff codes on some SGGL items have changed.	This is a purely technical change that corrects errors and maintains accuracy of the SGGL regulations.	Cabinet agreed that consultation was not required for this update.

Regulations 2013 (SGGL Regulations)		We propose to update the tariff codes in schedule 2 of the SGGL Regulations to align with Customs' Working Tariff Document.		
Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (SEIP Regulations)	4. Improve reporting accuracy for CO ₂ sold by natural gas mining	<p>The SEIP regulations do not currently stipulate where in the process the mass fraction of carbon in natural gas should be measured.</p> <p>A natural gas miner is considering moving their measurement point from before natural gas processing to after (when the CO₂ has been removed). This would result in CO₂ removed by processing not being reported by the miner.</p> <p>To pre-empt this change, we propose to require that CO₂ sold from natural gas processing continues to be captured in reporting emissions.</p>	This is a technical amendment that ensures that emissions from natural gas mining continue to be accurately reported.	Of the seven submitters who responded to this item, five agreed with the proposal and two were unsure.
Operational improvements				
Climate Change (Auctions, Limits and Price Controls for Units) Regulations 2013 (Auctions Regulations)	5. Amend the collateral window	<p>Under the auction regulations, auction participants are required to provide collateral for their bid at least 5 working days prior to the auction.</p> <p>We propose to amend regulations 16, 25 and 27 of the Auctions Regulations to reduce this to 3 working days.</p>	<p>This meets the definition of purely technical as it is a minor change that is consistent with Government policy.</p> <p>Cash held as collateral for an NZU auction earns no interest and cannot be used for other activities.</p> <p>By reducing the collateral window, participation costs will be reduced.</p>	Seven out of eight submitters supported reducing the collateral window. Two preferred a further reduction to 2 working days and one did not support a change.

Climate Change (Unit Register) Regulations 2008 (Unit Register Regulations)	6. Simplify statutory declaration requirements	<p>Three circumstances that require a statutory declaration to be provided by participants in the NZ ETS have been identified as administratively burdensome for both the participant and the EPA while not providing any benefits. These situations are effectively requesting information that has already been provided and is held on record.</p> <p>We propose to remove the requirements to provide a statutory declaration for:</p> <ul style="list-style-type: none"> a. Removing a joint account holder (regulation 6(6)(c)) b. Removing a primary representative (regulation 17(3)) c. Closing an account (regulation 12(3)). 	This change will reduce the administrative burden and extra cost for both the EPA and account holders.	Six out of seven submitters supported making this change. One preferred no change.
Referencing corrections				
Climate Change (Unit Register) Regulations 2008 (Unit Register Regulations)	7. Correct reference to the definition of a qualified person	<p>An update to the CCRA has resulted in a cross-referencing error in the Unit Register Regulations. The reference to a qualified person has been repealed and now sits in a different clause.</p> <p>We propose to update the reference in regulation 3(ba) of the Unit Register Regulations with the correct reference which is in section 181(2)(a) of the CCRA</p>	<p>This update meets the definition of purely technical as it corrects an error in the Unit Register regulations.</p> <p>This update ensures clarity, accuracy and effective implementation of the regulations.</p>	Four out of six submitters agreed with this proposal. Two were unsure.

Climate Change (General Exemptions) Order 2009	8. Keep the reference to geospatial information mapping standard current	<p>The Geospatial Mapping Standard currently referred to in clause 18 (exemption for activity of deforesting) of the General Exemptions Order 2009 is out of date. Every time the standard is updated, the regulations need to be amended to reflect the new version.</p> <p>We propose to remove the reference to a specific version and use a more general term that remains valid when the standard is updated.</p>	<p>This update meets the definition of purely technical as it corrects an error in the GE Order.</p> <p>The standard has effect even if the version referenced in the regulations is not current.</p> <p>This update ensures accuracy and effective implementation of the regulations.</p>	<p>The majority of those who provided feedback on this update preferred the use of a general term rather than updating to the current version. One preferred to update to the current version.</p>
Climate Change Response (Infringement Offences) Regulations 2021	9. Update cross-references to enable fees and fines to be issued	<p>Amendments to forestry provisions in the CCRA stemming from the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 took effect on 1 January 2023. However, updates to the Infringement Offences Regulations to reflect the changes did not occur at that time and have resulted in cross-referencing errors. These have impacted the ability of the regulator to apply infringement fees and fines.</p> <p>We propose to correct cross-referencing errors in the following regulations to ensure consistency with the CCRA:</p> <p>Regulations 5(1), 6(1), 7(1), 9(1)(c), 9(1)(d), 9(1)(e), 12(1)(c).</p>	<p>These updates meet the definition of purely technical as they correct errors so that the Infringement Offences regulations can be applied as per policy intent.</p> <p>The intention of introducing infringement fees and fines was to provide appropriate tools as an alternative to prosecution for low level non-compliance in the NZ ETS. Making the proposed changes would assist in maintaining the integrity and efficiency of the scheme by ensuring the Infringement Regulations are consistent with the updates to primary legislation.</p>	<p>Eight out of nine submitters agreed with this proposal. One was unsure.</p>

Appendix 2: Matters the Minister must have regard to before amending the Climate Change (General Exemptions) Order 2009

(2) Before recommending the making of an order under subsection (1), the Minister must be satisfied that—

- (a) the order will not materially undermine the environmental integrity of the emissions trading scheme; and
- (b) the costs of making the order do not exceed the benefits of making the order.

(3) In determining whether to recommend the making of an order under subsection (1), the Minister must have regard to the following matters:

- (a) the need to maintain the environmental integrity of the emissions trading scheme; and
- (b) the desirability of minimising any compliance and administrative costs associated with the emissions trading scheme; and
- (c) the relative costs of giving the exemption or not giving it, and who bears the costs; and
- (d) any alternatives that are available for achieving the objectives of the Minister in respect of giving the exemption; and
- (e) any other matters the Minister considers relevant.

Policy and Privacy

CLASSIFICATION

Office of the Minister of Climate Change

LEG - Cabinet Legislation Committee

Amendments to the New Zealand Emissions Trading Scheme (NZ ETS) Regulations 2025

Proposal

- 1 I propose that the Cabinet Legislation Committee authorises the submission to the Executive Council of the following amendment regulations and Order in Council:
 - 1.1 Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025;
 - 1.2 Climate Change (Stationary Energy and Industrial Processes) Amendment Regulations 2025;
 - 1.3 Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2025;
 - 1.4 Climate Change (Unit Register) Amendment Regulations 2025;
 - 1.5 Climate Change Response (Infringement Offences) Amendment Regulations 2025;
 - 1.6 Climate Change (Unique Emissions Factors) Amendment Regulations 2025;
 - 1.7 Climate Change (General Exemptions) Amendment Order 2025.

Executive Summary

- 2 This paper seeks Cabinet approval to amend the regulations that set New Zealand Emissions Trading Scheme (NZ ETS) unit limits and price control settings. The amendment regulations will implement the decisions on the NZ ETS settings and regulations made by Cabinet on 18 August 2025.
- 3 It also seeks Cabinet agreement to technical amendments to multiple sets of NZ ETS regulations. This includes the statutorily required annual updates to the price of carbon and associated synthetic greenhouse gas (SGG) levy rates that apply to the import of goods and motor vehicles. The amendment regulations will implement decisions on purely technical updates to the NZ ETS regulations made by myself under delegated authority [CAB-24-MIN-0156, ECO-24-MIN-0075 refer].
- 4 The amendment regulations must be published in the New Zealand Gazette by 30 September 2025 to ensure that the mandatory minimum three month stand down period is observed before they come into force on 1 January 2026, coinciding with the beginning of the NZ ETS year. Decisions are sought today to ensure the Government will meet this legal obligation under the Climate Change Response Act 2002 (the Act).

Policy

- 5 This paper seeks Cabinet approval to amend regulations supporting the operation of the NZ ETS and the SGG levy. These regulations are made under the Act.
- 6 I propose to:
- 6.1 Update the Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020 to prescribe unit limits and price control settings for the NZ ETS, to amend the collateral window for NZ ETS auctions and to better manage auction rollover units within a calendar year;
 - 6.2 Update the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 with current default emissions factors for natural gas and geothermal activities and change reporting requirements for natural gas mining to capture CO₂ sold from natural gas processing;
 - 6.3 Update the Climate Change (Synthetic Greenhouse Gas Levies) Regulations 2013 (SGGL Regulations) with new tariff codes, the price of carbon for 2026 and associated SGG levies;
 - 6.4 Update the Climate Change (Unit Register) Regulations 2008 to remove statutory declaration requirements for specific circumstances and correct erroneous cross-references to the definition of a qualified person;
 - 6.5 Update the Climate Change Response (Infringement Offences) Regulations 2021 to correct erroneous cross-references to enable fees and fines to be issued;
 - 6.6 Update the Climate Change (Unique Emissions Factors) Regulations 2009 to correct errors so that waste participants use time series data when calculating their emissions;
 - 6.7 Update the Climate Change (General Exemptions) Order 2009 with the correct reference to the geospatial information mapping standard.

NZ ETS unit limit and price control settings

- 7 The Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025 will implement the decisions made by Cabinet on 18 August 2025 [CAB-25-MIN-0276, ECO-25-MIN-0120 refer]. At that time, Cabinet agreed to maintain the status quo unit limits and price controls and extend these out to 2030.
- 8 These regulations will set the number of units available for auction, the minimum price below which units cannot be sold, a reserve volume of units that will be released in the event that New Zealand Unit (NZU) prices reach a designated trigger price and what that trigger price will be for each year during 2026-2030.
- 9 As there are differences between what Cabinet agreed to and the Climate Change Commission's recommendations, a report outlining the reasons for difference is required to be presented to the House and made publicly available under section 30GC(7) of the Act. 9(2)(f)(iv)

Technical updates to the NZ ETS regulations

- 10 Updates to the NZ ETS regulations will implement decisions made by Cabinet on 18 August 2025 [CAB-25-MIN-0276, ECO-25-MIN-0120 refer] and decisions made by myself on 20 July 2025 [BRF-6385 refers] under delegated authority provided by Cabinet on 13 May 2024 [CAB-24-MIN-0156, ECO-24-MIN-0075 refer].
- 11 Technical updates involve either recalculations of values listed in the regulations based on new data, or minor clarifications and corrections to the text of the regulations. These updates to the various regulations that sit under the Act and govern the NZ ETS are important for maintaining the efficiency and accuracy of the NZ ETS.

Updating the definition of a qualified person

- 12 The amendments to the Climate Change (Unit Register) Regulations 2008 that reflect the decision to 'correct the reference to the definition of a qualified person' include an additional clarification to ensure that transferees of certain interests in post-forest land who are required to have a holding account, as a consequence of the Act providing that they become participants when the interests are transmitted, are qualified persons and so able to open a holding account.

Updating the price of carbon and synthetic greenhouse gas levy rates

- 13 The carbon price and levy rates prescribed in the SGGL Regulations are updated each year using the methodology specified in regulations. As these amendments are routine and formulaic they do not require Cabinet policy approvals [paragraph 7.95(d) of the Cabinet Manual refers].
- 14 Synthetic greenhouse gases (SGGs) are contained in goods including air-conditioning units, refrigerators and motor vehicle air conditioning units. These gases have high global warming potential (GWP) which are released into the atmosphere as the product is used, serviced and disposed of. Importers of bulk SGGs and domestic manufacturers of SGGs are mandatory participants in the NZ ETS.
- 15 Importers of goods containing SGGs, and those who first register motor vehicles containing SGGs, are not mandatory participants in the NZ ETS. Instead, they pay a levy linked to the amount and type of SGG in the item, and the price of carbon.
- 16 The price of carbon is set using a mandatory formula set out in the SGGL Regulations, based on a weekly average of NZU values from the previous 12 months. The price in 2026 will be \$59.37 per tonne of carbon dioxide equivalent. This is a decrease of 4.7 per cent from the 2025 price of \$62.32.
- 17 The price of carbon is then used to calculate the SGG levy rates for each regulated good or motor vehicle containing SGGs according to a formula set out in the Act. The price of carbon is also used to calculate penalties under the Act. Therefore, this change will result in reduced penalties for failures in NZ ETS reporting and surrendering of emission units.
- 18 The decrease in carbon price for 2026 will result in a reduction in revenue by approximately \$964,000 on average per annum over the forecast period beginning 2025/26. This will have a corresponding impact on the operating balance and net core Crown debt. However, given that this will be a forecast adjustment, the fiscal impacts will be managed outside of the Budget operating allowance.

Timing and 28-day rule

- 19 All amendment regulations, apart from the Climate Change (General Exemptions) Amendment Order 2025 and Climate Change (Unit Register) Amendment Regulations 2025, include a three month stand down period after their publication as provided for in sections 30H, 30N, 166, and 245 of the Act.
- 20 The amendment regulations must be published in the Gazette by 30 September 2025 to ensure that the mandatory minimum three month stand down period is observed before they come into force on 1 January 2026, coinciding with the beginning of the NZ ETS year. Decisions are sought today to ensure the Government will meet this legal obligation under the Act.

Compliance

- 21 All proposed amendments described in this paper are consistent with:
- 21.1 the principles of the Treaty of Waitangi. In developing the NZ ETS unit settings proposed in this paper, the interests and impacts of the proposals on Māori were considered throughout analysis. During public consultation, the Ministry asked if there were any impacts on Māori that were not stated in the discussion document and invitations to the public webinars were sent to iwi/Māori NZ ETS stakeholders for input;
 - 21.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 21.3 the principles and guidelines set out in the Privacy Act 2020;
 - 21.4 relevant international standards and obligations;
 - 21.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

NZ ETS unit limit and price control settings

- 22 The annual updating of the NZ ETS unit limit and price control settings in regulations is a statutory requirement under section 30GB(3)(b) of the Act.
- 23 Before recommending the making of the NZ ETS unit limit and price control setting regulations I must first consider the matters set out in sections 30GB(4)(a), 30GC(5) and 30GC(6) of the Act (the statutory matters) and then be satisfied that the settings are either: in accordance with emissions budgets, New Zealand's Nationally Determined Contributions (NDC) under the Paris Agreement, and the 2050 target under the Act; or, if not strictly in accordance with an emissions budget or NDC, that the discrepancy is justified (with reference to the statutory matters).
- 24 I have complied with these requirements. See Appendix 1 – Assessment of Accordance 2025 for further details.

Technical updates to the NZ ETS regulations

- 25 The Minister has authorisation to make these regulations under sections 30G, 30M, 30W, 60, 163, 164, 245 and 246 of the Act (i.e. the empowering provisions under the Act).

- 26 Before recommending amendments to NZ ETS regulations, there are certain pre-requisites set out under the Act that I must satisfy.
- 27 Before recommending amendments to regulations that govern the NZ ETS under sections 3A and 3B of the Act, I must consult or be satisfied that the Chief Executive of the Ministry for the Environment has consulted, representatives of iwi and Māori likely to have an interest in the regulations, and persons that appear likely to be substantially affected by the regulations. I have complied with these requirements by consulting with the public from 28 May to 29 June 2025 on two discussion documents and undertaking engagement with 9(2)(b)(ii) [REDACTED]
- 28 Regulations made under section 30G of the Act must be consistent with international obligations (refer section 30G(4)). The proposed changes to the Climate Change (Unit Register) Regulations 2008 will retain consistency with international obligations because the correction of the cross-referencing error will enable regulations to function in line with original policy intent.
- 29 Before recommending the making of an order under section 60 of the Act, I must satisfy the requirements set out under section 60(2), having had regard to the matters set out under section 60(3). I consider the proposal to enable the geospatial information mapping standard to remain current in the Climate Change (General Exemptions) Order 2009 is consistent with these requirements as it will continue to reflect the current policy intent.
- 30 Before recommending the making of regulations under sections 163(1)(a) or 163(1)(b) of the Act, I must have regard to international climate change obligations in respect of collecting data and information relating to emissions and removals (section 163(5)). In respect of the changes to the reporting requirements for CO₂ sold by natural gas mining in the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009, this ensures that emissions from that activity will be included in NZ ETS obligations. The emissions are included in New Zealand's international reporting and use information from the NZ ETS participant. The change is aligned with international data and information requirements.
- 31 Before recommending the making regulations under section 30M(2), I must be satisfied, after consulting the Minister of Justice, that a contravention of each duty, restriction, or prohibition is sufficiently minor to be appropriate as an infringement offence. The proposed changes to the Climate Change Response (Infringement Offences) Regulations 2021 are to correct cross-referencing errors so remain consistent with the original policy intent as consulted on previously and accordingly further consultation with the Minister was not needed.

Updating the price of carbon and SGG levy rate

- 32 Before recommending the making of the SGGL Regulations I must take into account the matters set out in section 30W(2) of the Act:
- 32.1 the price of units used to calculate revenue from the NZ ETS in the Crown annual financial statements in the preceding 12 months;
- 32.2 the price of units sold by auction in the preceding 12 months;
- 32.3 any changes to the operation of the NZ ETS that have affected the price of the units surrendered or may do so before the end of the next levy year.

- 33 I have been advised on these three matters and have taken these into account when making my recommendations on these regulations.

Regulations Review Committee

- 34 I do not consider that there are grounds for the Regulations Review Committee to draw these regulations to the attention of the House of Representatives under Standing Order 327.

Certification by Parliamentary Counsel

- 35 The draft regulations have been certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.

Impact Analysis

- 36 A Regulatory Impact Statement was prepared to inform Cabinet's policy decisions on the NZ ETS unit limits and price control settings and managing auction rollover volumes within a calendar year.
- 37 The technical regulatory updates, along with the price of carbon and SGG levy rates are not subject to the RIS requirements. This is under the authority of paragraph 7.95(d) of the Cabinet Manual, on the basis that these changes are a routine update to secondary legislation that does not require new policy decisions.

Publicity

- 38 The Ministry for the Environment and the Environmental Protection Authority will collaborate to initiate follow-up communications to NZ ETS participants and agencies affected by the regulations.
- 39 The Ministry for the Environment will also work with the New Zealand Customs Service and the New Zealand Transport Agency to ensure the levy rate changes and other changes to the levy schedules are understood by persons subject to the SGG levy.

Proactive release

- 40 I intend to proactively release this paper on the Ministry for the Environment's (the Ministry) website subject to any redactions as appropriate under the Official Information Act 1982.

Consultation

- 41 Consultation on the NZ ETS settings and regulations included the publication of a discussion document, two public webinars and the opportunity for the public to provide feedback.
- 42 This paper was circulated with the following agencies for feedback: Ministry of Business, Innovation and Employment; The Treasury New Zealand; Department of the Prime Minister and Cabinet; Ministry for Primary Industries; Ministry of Transport; Te Puni Kōkiri; Ministry of Foreign Affairs and Trade; Ministry of Social Development; Environmental Protection Authority; and New Zealand Customs Service.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 18 August 2025 the Cabinet Economic Policy Committee agreed to unit limits and price control settings for auctions to sell New Zealand units under the New Zealand Emissions Trading Scheme for the years 2026-2030 [CAB-25-MIN-0276, ECO-25-MIN-0120 refer];
- 2 **note** that the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025 will give effect to the decisions referred to in recommendation 1;
- 3 **note** that before making the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025 the Minister of Climate Change is required to comply with sections 3A, 3B, 30GB, and 30GC of the Climate Change Response Act 2002;
- 4 **note** that the Minister of Climate Change advises that the requirements in recommendation 3 have been met;
- 5 **note** that the Minister of Climate Change agreed to purely technical updates under the delegation provided by Cabinet on 13 May 2024 [CAB-24-MIN-0156, ECO-24-MIN-0075 refer];
- 6 **note** that on 18 August 2025, Cabinet agreed to make the following two further technical updates [CAB-25-MIN-0276, ECO-25-MIN-0120 refer];
 - 6.1 managing auction rollover units within a calendar year;
 - 6.2 correct errors so that waste participants use time series data when calculating their emissions;
- 7 **note** that an additional clarification to the definition of a qualified person to incorporate transferees of certain interests in post-forest land who are required to have a holding account, as a consequence of the Act providing that they become participants when the interests are transmitted;
- 8 **note** that the Minister of Climate Change agreed to annual updates to the price of carbon and synthetic greenhouse gas levies;
- 9 **note** this change will result in a reduction in revenue by approximately \$964,000 on average per annum over the forecast period, which will have a corresponding impact on the operating balance and net core Crown debt;
- 10 **note** that proposed change in recommendation 8 is considered a forecast adjustment, therefore the fiscal impacts will be managed outside of the Budget operating allowance;
- 11 **note** that the Minister of Climate Change is authorised to make these regulations under sections 30G, 30M, 30W, 60, 163, 164, 245 and 246 of the Act;
- 12 **note** that the Minister of Climate Change advises that the pre-requisites that must be met under of sections 3A, 3B, 30G, 30M, 30W, 60 and 163 of the Climate Change

Response Act 2002 have been met in relation to updating the amendment regulations and Order in Council listed in recommendations 5, 6 and 8;

- 13 **note** that there is a minimum three-month stand down period between when the amendment regulations are published in the New Zealand Gazette and when they come into force under sections 30H, 30N, 166 and 245 of the Act;
- 14 **note** that the following amendment regulations will implement decisions at recommendations 5, 6 and 8:
- 42.1 Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025;
 - 42.2 Climate Change (Stationary Energy and Industrial Processes) Amendment Regulations 2025;
 - 42.3 Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2025;
 - 42.4 Climate Change (Unit Register) Amendment Regulations 2025;
 - 42.5 Climate Change Response (Infringement Offences) Amendment Regulations 2025;
 - 42.6 Climate Change (Unique Emissions Factors) Amendment Regulations 2025;
 - 42.7 Climate Change (General Exemptions) Amendment Order 2025;
- 15 **authorise** the submission to the Executive Council of the amendment regulations and Order in Council listed in recommendation 14;
- 16 **note** that the amendment regulations and Order in Council listed in recommendation 14 will come into force on 1 January 2026.

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change



Cabinet Legislation Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Amendments to the NZ ETS Regulations 2025

Portfolio **Climate Change**

On 18 September 2025, the Cabinet Legislation Committee:

- 1 **noted** that in August 2025, the Cabinet Economic Policy Committee (ECO) agreed to unit limits and price control settings for auctions to sell New Zealand units under the New Zealand Emissions Trading Scheme for the years 2026 to 2030 [ECO-25-MIN-0120];
- 2 **noted** that the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025 will give effect to the decisions referred to in paragraph 1;
- 3 **noted** that before making the Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025, the Minister of Climate Change (the Minister) is required to comply with sections 3A, 3B, 30GB, and 30GC of the Climate Change Response Act 2002 (the Act);
- 4 **noted** that the Minister advises that the requirements in paragraph 3 above have been met;
- 5 **noted** that the Minister agreed to purely technical updates under the delegation provided by ECO in May 2024 [ECO-24-MIN-0075];
- 6 **noted** that in August 2025, ECO also agreed to make the following two further technical updates:
 - 6.1 managing auction rollover units within a calendar year;
 - 6.2 correct errors so that waste participants use time series data when calculating their emissions;[ECO-25-MIN-0120]
- 7 **noted** that the technical updates include an additional clarification to the definition of a qualified person to incorporate transferees of certain interests in post-forest land who are required to have a holding account, as a consequence of the Act providing that they become participants when the interests are transmitted;
- 8 **noted** that the Minister agreed to annual updates to the price of carbon and synthetic greenhouse gas levies;
- 9 **noted** the change in paragraph 8 above will result in a reduction in revenue by approximately \$964,000 on average per annum over the forecast period, which will have a corresponding impact on the operating balance and net core Crown debt;

- 10 **noted** that the change in paragraph 8 above is considered a forecast adjustment, therefore the fiscal impacts will be managed outside of the Budget operating allowance;
- 11 **noted** that the Minister is authorised to make these regulations under sections 30G, 30M, 30W, 60, 163, 164, 245 and 246 of the Act;
- 12 **noted** that the Minister advises that the pre-requisites that must be met under sections 3A, 3B, 30G, 30M, 30W, 60 and 163 of the Act have been met;
- 13 **noted** that there is a minimum three-month stand down period between when amendment regulations are published in the New Zealand Gazette and when they come into force under sections 30H, 30N, 166 and 245 of the Act;
- 14 **noted** that the following amendment regulations will implement the decisions in paragraphs 5, 6 and 8 above:
- 14.1 Climate Change (General Exemptions) Amendment Order 2025 [PCO 28290/7.0];
- 14.2 Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2025 [PCO 28291/8.0];
- 14.3 Climate Change (Stationary Energy and Industrial Processes) Amendment Regulations 2025 [PCO 28292/12.0];
- 14.4 Climate Change (Synthetic Greenhouse Gas Levies) Amendment Regulations 2025 [PCO 28293/9.0];
- 14.5 Climate Change (Unit Register) Amendment Regulations 2025 [PCO 28294/9.0];
- 14.6 Climate Change Response (Infringement Offences) Amendment Regulations 2025 [PCO 28295/8.0];
- 14.7 Climate Change (Unique Emissions Factors) Amendment Regulations 2025 [PCO 28310/6.0];
- 15 **authorised** the submission to the Executive Council of the amendment regulations and order listed in paragraph 14;
- 16 **noted** that the amendment regulations and order listed in paragraph 14 will come into force on 1 January 2026.

Tom Kelly
Committee Secretary

Present:

Hon David Seymour
Hon Louise Upston (Chair)
Hon Paul Goldsmith
Hon Judith Collins KC
Hon Brooke van Velden
Hon Shane Jones
Hon Simon Watts
Hon Nicole McKee
Hon Casey Costello
Hon Chris Penk
Hon James Meager
Stuart Smith, MP
Todd Stephenson, MP
Jamie Arbuckle, MP

Officials present from:

Officials Committee for LEG
Office of the Leader of the House