



PROACTIVE RELEASE COVERSHEET

Minister	Hon Simon Watts	Portfolio	Climate Change
Name of package	ETS Exemption for Waitaki District Council for Remediation of Specified Waste	Date to be published	10 June 2025

List of documents that have been proactively released

Date	Title	Author
2 April 2025	CAB-538 Proposed exemption from the Emissions Trading Scheme for Waitaki District Council in Relocation of Specified Waste	Ministry for the Environment
	Appendix 1: Analysis of matters the Minister must have regard to when recommending an NZ ETS exemption	Ministry for the Environment
	ECO-25-MIN-0038	Department of Prime Minister and Cabinet
7 April 2025	CAB-25-MIN-0102	Department of Prime Minister and Cabinet

Information redacted **YES** **NO X**

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GenPolicy and Privacy

In-Confidence

Office of the Minister of Climate Change

ECO - Cabinet Economic Policy Committee

Proposed exemption from the Emissions Trading Scheme for Waitaki District Council in relocation of specified waste

Proposal

1. This paper seeks an amendment to the Climate Change (General Exemptions) Order 2009 to specify that the Waitaki District Council (WDC) is exempt from obligations under the New Zealand Emissions Trading Scheme (NZ ETS) specifically for the remediation of approximately 19,000 tonnes of waste from two large fly-tipping sites.

Relation to government priorities

2. The proposal in this paper supports the Government's priority of upholding the integrity and market confidence of the NZ ETS by maintaining its accuracy.

Background and analysis

3. Under the Climate Change Response Act 2002 (CCRA), operators of waste disposal facilities are mandatory participants of the NZ ETS if the waste being disposed is partially from households. Landfill operators are required to report their annual emissions and surrender the corresponding number of New Zealand Units (NZUs).
4. In 2024, the WDC relocated 70,000 tonnes of waste from three coastal sites at risk of erosion to the Palmerston Landfill. Of that waste, 51,000 tonnes was from an old landfill and 19,000 tonnes was from two large fly-tipping (illegal waste dumping) sites on Beach Road.
5. To recognise that historical waste will no longer produce emissions, an NZ ETS exemption was introduced in 2021 to allow for landfill operators to redispense waste from closed landfills without incurring surrender obligations in the ETS. This exemption applies to the 51,000 tonnes of waste WDC has redispensed from the old landfill but does not apply to the remaining 19,000 tonnes of waste as the Beach Road sites were not landfills.
6. The waste from the two fly-tipped sites is estimated to be over 54 years old. Officials' modelling shows no potential emissions generation from this waste. However, the default methodology for estimating emissions from disposing waste does not consider its age. WDC will consequently report approximately 20,000 tonnes of emissions from disposing of the 19,000 tonnes of fly-tipped waste. WDC will be required to surrender NZUs valued at 1.400 million dollars. This is inaccurate and undermines the integrity and market confidence of the ETS.
7. In August 2024, officials received an email from WDC requesting an exemption from this obligation under the NZ ETS given the age of the waste being relocated and the significant liability that would be imposed.

8. WDC have informed us that \$1.400m in ETS obligations would be the equivalent of a 3 per cent increase in rates, which, when taken with other expected cost pressures, would likely lead to material service reductions.

Power to recommend an exemption under the CCRA

9. Under section 60 of the CCRA, I have the authority to recommend an exemption from NZ ETS obligations by Order-in-Council.
10. I propose to exempt WDC from NZ ETS obligations arising from the remediation of waste from the two historic fly-tipping sites for the following three reasons:
 - 10.1 to maintain the core policy intent of the NZ ETS as maintaining market confidence by ensuring it is operating efficiently
 - 10.2 to avoid the risk of creating perverse incentives for not remediating other historical fly-tipping sites
 - 10.3 to maintain accuracy in the NZ ETS when imposing obligations on participants.
11. Before making a recommendation under section 60, sections 60(2) and 60(3) outline the matters the Minister must have regard to. I have done this analysis and all of the matters have been considered and met. These are outlined in appendix 1.

Implementation

12. Waitaki District Council is required to submit their emissions return to the Environmental Protection Authority by 31 March 2025 and surrender the corresponding number of NZUs by 31 May 2025.
13. Pending agreement from Cabinet to this paper, the proposed timeline for implementation is as follows:
 - 13.1 I will direct the Parliamentary Counsel Office to draft regulations to amend the Climate Change Response (General Exemptions) Order 2009
14. I will bring amendment regulations to the Cabinet Legislation Committee on 8 May
15. I will seek a waiver of the 28-day rule to exempt WDC before the NZU surrender obligation is due on 31 May.
16. Officials will investigate the potential need for a wider NZ ETS exemption covering the redisposing of historic fly tipped waste across New Zealand. If this is needed, it could be included in future regulatory updates.

Legal Issues (legally privileged)

17. No legal issues have been identified with the proposal in this paper.

Cost-of-living Implications

18. No cost-of-living implications arise from the proposal in this paper.

Financial Implications

19. If adopted, this exemption will result in a reduction of Crown revenue of approximately \$1.400 million for the 2024/25 Fiscal Year, and a corresponding impact on the operating balance, with the following effect.

	\$m – increase/(decrease)
Vote Environment Minister for Climate Change	2024/25
Crown Revenue – Non-Tax Revenue, Emissions Trading	(1.400)
Total Operating	1.400

20. I have considered several options to offset the negative impact on the operating balance of this shortfall in revenue:

20.1 When a similar exemption was made in 2019 for redisposing waste from the Fox Glacier Landfill, it was charged against the between-Budget contingency established as part of Budget 2019. In this instance, the Budget 2024 between-Budget contingency is extinguished and so is not available for use.

20.2 The waste disposal levy was considered as a possible funding source. However, it cannot be used in this case as the activity of waiving ETS obligations does not meet the statutory criteria of the act.

20.3 The impact of the decrease in Crown revenue in the Emissions Trading Scheme is non-cash and does not relate to an output of, or service performed for, the Ministry for the Environment. In my view, it would not be appropriate for internal reprioritisation to be met from the Ministry's funds.

21. This paper proposes to charge this reduction in Crown non-tax revenue as a pre-commitment against the Budget 2025 operating allowance.

22. It is not possible to delay incurring this cost until Budget 2025. This would require a delay to the exemption coming into force until after 31 May 2025. This is the date by which WDC is required to surrender their NZUs.

Legislative Implications

23. An exemption from liability under the NZ ETS will require an amendment to the Climate Change (General Exemptions) Order 2009 under section 60 of the CCRA. With Cabinet approval, I will issue drafting instructions to the Parliamentary Counsel Office to draft regulations to amend the Order for consideration by the Cabinet Legislation Committee.

Impact Analysis

Regulatory Impact Statement

24. The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that the economic, social or environmental impacts are limited and easy to assess.

Climate Implications of Policy Assessment

25. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

Population Implications

26. There are no significant population issues from the proposals in this paper.

Human Rights

27. There are no human rights implications from this proposal.

Consultation

28. This paper was prepared by the Ministry for the Environment. In addition, Treasury, Ministry of Business, Innovation and Employment and the Environmental Protection Authority were consulted.
29. Before recommending the making of an exemption under the NZ ETS, the CCRA requires me to have consulted iwi/Māori and persons significantly affected by the proposal. Consultation with WDC has been ongoing throughout policy development, who agree with the proposal. Targeted consultation has been carried out with local iwi who have not raised any concerns with this approach.

Proactive Release

30. I propose to proactively release this paper on the Ministry's website following publication of the amendment regulations, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1. **note** that Waitaki District Council redispensed of 19,839 tonnes of fly-tipped waste from two Beach Road sites into the Palmerston Landfill in 2024 and that this will lead to an estimated New Zealand Emissions Trading Scheme (NZ ETS) cost of \$1.400 million for emissions that will not occur while it is under the Landfill's responsibility
2. **note** that Waitaki District Council have advised that this charge would equate to a 3 per cent increase in rates for the Council
3. **note** that under section 60 of the Climate Change Response Act 2002, the Minister of Climate Change has the power to recommend an exemption from obligations under the NZ ETS by way of an Order in Council
4. **agree** to make regulations to amend the Climate Change Response (General Exemptions) Order 2009 to provide Waitaki District Council with an exemption from NZ ETS obligations for the disposal of waste from these two Beach Road fly-tipping sites to the Palmerston Landfill
5. **note** the following changes as a result of the decision recommended above with a corresponding impact on the operating balance

	\$m – increase/(decrease)
Vote Environment Minister for Climate Change	2024/25
Crown Revenue – Non-Tax Revenue, Emissions Trading	(1.400)
Total Operating	1.400

6. **note** that the waste disposal levy was considered as a potential funding source, but this exemption is not within the scope of levy purposes
7. **agree** that the reduction in Crown non-tax revenue be charged as a pre-commitment against the Budget 2025 operating allowance
8. **invite** the Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above recommendation.

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

Appendix 1: Analysis of matters the Minister must have had regard to when recommending an NZ ETS exemption

S60(2)(a)	Is the Minister satisfied that the Order will not materially undermine the environmental integrity of the NZ ETS?	<p>Yes.</p> <p>The exemption will apply to a single NZ ETS participant (one out of 29 landfill participants), for a single defined event in 2024, and for a small number of units (approximately 22,000 NZUs).</p> <p>The exemption would be consistent with the purpose of 13B of the Climate Change (General Exemptions) Order 2009.</p> <p>The environmental integrity of the NZ ETS will be maintained as its accuracy in reporting emissions will be improved through this proposal.</p>
S60(2)(b)	Is the Minister satisfied that the costs of making the Order do not exceed the benefits?	<p>Yes.</p> <p>The cost of the exemption is fiscal, as it will remove the requirement for the Waitaki District Council to surrender NZUs specifically for the waste redispensed from the Beach Road sites to the Palmerston Landfill. This is a loss of projected revenue to the Crown. The estimated amount is \$1.400 million at \$64 per NZU.</p> <p>The benefits of the exemption are twofold:</p> <ol style="list-style-type: none"> 1. Financial for the Waitaki District Council, and 2. Supporting the NZ ETS' role as an efficient market mechanism for pricing emissions. <p>The emissions costs would otherwise be absorbed by Waitaki District Council's small rating base. WDC have told us that \$1.4m is</p>

		<p>approximately equivalent to a 3% rates increase.</p> <p>Another benefit of the exemption is maintaining market confidence and stability of the NZ ETS through accurate reporting and obligations on ETS participants.</p>
S60(3)(a)	Has the Minister had regard to the need to maintain the environmental integrity of the NZ ETS?	<p>Yes.</p> <p>Environmental integrity has been maintained as its accuracy in reporting emissions is improved through this proposal.</p>
S60(3)(b)	Has the Minister had regard to the desirability of minimising any compliance and administrative costs associated with the NZ ETS?	<p>Yes.</p> <p>The exemption will not create any administrative and compliance costs for the Crown or the participant. It will remove NZ ETS costs that are undue given there are no potential emissions in the fly-tipped waste.</p>
S60(3)(c)	Has the Minister had regard to the relative costs of giving the exemption or not giving it, and who bears the costs?	<p>Yes.</p> <p>The cost of the exemption will fall on the Crown through reduced NZ ETS revenue, as detailed above. Without the exemption, the cost of complying with NZ ETS obligations will fall on the Waitaki District Council, as funded by ratepayers. As described above, charging for emissions that will not occur undermines the integrity of the NZ ETS.</p>
S60(3)(d)	Has the Minister had regard to any alternatives that are available for achieving the objectives of the Minister in respect of giving the exemption?	<p>The objective of this exemption is to ensure the NZ ETS is working efficiently and maintaining market confidence and certainty.</p> <p>An alternative option of applying for a Unique Emissions Factor (UEF) for the Palmerston Landfill was considered. However, this option is not possible given that the requirement of 12</p>

		months of historic data collection would not be met.
S60(3)(e)	Has the Minister had regard to any other matters the Minister considers relevant?	<p>Yes.</p> <p>A key concern is the precedent this exemption could set for other discovered historic fly-tipping sites vulnerable to climate change.</p> <p>Future work may consider a general exemption for operating disposal facilities under the Climate Change (General Exemptions) Order 2009 to redispense of historic fly-tipping waste.</p>



Cabinet Economic Policy 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.

Proposed Exemption from the Emissions Trading Scheme for Waitaki District Council in Relocation of Specified Waste

Portfolio **Climate Change**

On 2 April 2025, the Cabinet Economic Policy Committee:

- 1 **noted** that:
 - 1.1 Waitaki District Council re-disposed of 19,839 tonnes of fly-tipped waste from two Beach Road sites into the Palmerston Landfill in 2024;
 - 1.2 this will lead to an estimated New Zealand Emissions Trading Scheme (NZ ETS) cost of \$1.400 million for emissions that will not occur while it is under the Landfill's responsibility;
- 2 **noted** that Waitaki District Council has advised that the above charge would equate to a 3 percent increase in rates for the Council;
- 3 **noted** that under section 60 of the Climate Change Response Act 2002, the Minister of Climate Change has the power to recommend an exemption from obligations under the NZ ETS by way of an Order in Council;
- 4 **agreed** to make regulations to amend the Climate Change Response (General Exemptions) Order 2009 to provide Waitaki District Council with an exemption from NZ ETS obligations for the disposal of waste from the two Beach Road fly-tipping sites to the Palmerston Landfill;
- 5 **noted** the following changes as a result of paragraph 4 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)
Vote Environment	2024/25
Minister for Climate Change	
Crown Revenue – Non-Tax Revenue, Emissions Trading	(1.400)
Total Operating	1.400

- 6 **noted** that the waste disposal levy was considered as a potential funding source, but this exemption is not within the scope of levy purposes;

- 7 **agreed** that the reduction in Crown non-tax revenue be charged as a pre-commitment against the Budget 2025 operating allowance;
- 8 **invited** the Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 4 above.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Winston Peters
Hon David Seymour
Hon Nicola Willis (Chair)
Hon Simeon Brown
Hon Brooke van Velden
Hon Shane Jones
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Dr Shane Reti
Hon Tama Potaka
Hon Chris Penk
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Erica Stanford
Officials Committee for ECO



Cabinet

Minute of Decision

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Report of the Cabinet Economic Policy Committee: Period Ended 4 April 2025

On 7 April 2025, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 4 April 2025:

Out of scope

ECO-25-MIN-0038


Proposed Exemption from the Emissions Trading Scheme for Waitaki District Council in Relocation of Specified Waste

CONFIRMED

Portfolio: Climate Change

Out of scope

Out of scope



Rachel Hayward
Secretary of the Cabinet