

Summary of Submissions

New Zealand Emissions Trading Scheme Unit Settings and Annual Regulatory Updates 2025

Ngā Tautuhinga ā-ae me ngā Whakahoutanga Waeture ā-Tau o Te Kaupapa Hokohoko Tukunga o Aotearoa 2025



Ministry for the
Environment
Manatū Mō Te Taiao



Te Kāwanatanga o Aotearoa
New Zealand Government

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Introduction

From 28 May to 29 June 2025, the Government consulted on proposals to update New Zealand Emissions Trading Scheme (NZ ETS) unit settings for the period 2026 to 2030. This included two webinars held on 4 and 11 June 2025. Simultaneously, the Government consulted on technical updates to NZ ETS regulations.

This report summarises the views expressed through these consultations. It does not analyse those views or recommendations in response to them. Input from submissions was incorporated into policy development and advice to the Minister of Climate Change and Cabinet.

Responses to the consultation

We received 72 unique submissions across both consultations.

We received 49 ‘form’ submissions with a unanimous view, which in this summary count as one unique submission. Some submitters responded to both consultations, and others to just one. Therefore, the numbers in the tables below do not add up to the total (72) of unique submissions.

Annual updates to NZ ETS limits and price control settings for units 2025

We received 68 unique submissions on annual updates to the limits and price control settings for units, through our consultation platform Citizen Space and email.

Table 1 sets out the number of submissions from individuals and groups.

Table 1: Settings: Number of submissions by self-reported submitter group

Submitter type	Number
Individual	46
Academic or subject matter expert	13
Iwi/hapū	1
Local government	1
Business	13
Industry body	7
Non-governmental organisation	7

Other	13
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Proposed changes to NZ ETS regulations 2025

We received 24 unique submissions on proposed changes to the 2025 regulations, through our consultation platform Citizen Space and email.

Table 2 sets out the number of submissions from individuals and groups.

Table 2: Regulations: Number of submissions by self-reported submitter group

Submitter type	Number
Individual	11
Academic or subject matter expert	4
Iwi/hapū	–
Local government	–
Business	8
Industry body	4
Non-governmental organisation	3
Other/not applicable	3

Annual updates to NZ ETS limits and price control settings for units 2025

This consultation sought feedback on:

- options for unit limits and price control settings
- methodological approaches and other factors informing those options
- the impact of the settings.

Recent secondary market price dynamics

Following a period of stability after the 2024 settings decisions were announced, secondary market spot prices declined from around NZ\$65 in January 2025 to around \$50 at the time of writing the consultation document in May 2025.

We were interested in hearing the public's views on the possible causes and implications of the market pricing at that time.

Of the 22 submitters who responded:

- 13 said that an oversupply of units was putting downward pressure on prices
- 11 said government intervention in the market and a lack of commitment to climate change is creating uncertainty
- 11 attributed the price changes to forestry dynamics, including foresters selling NZUs due to cashflow pressures and more afforestation than expected
- four cited general market uncertainty.

To follow up, we asked how the recent price developments should factor into the Government's thinking about unit settings and price controls.

Of the 20 submitters who responded:

- 15 agreed that recent price developments should be factored into the Government's considerations of unit settings and price controls
- six suggested reducing unit supply
- five said that the current settings should remain the same.

Distributing auction volume under Commission-recommended option

Currently, auction volumes are distributed so they decline across years in line with the NZ ETS cap. As part of their recommended auction volume, the Commission recommended taking a different approach to the distribution of volume changes across years 2028–30. It recommended not changing existing auction volumes in 2026 and 2027 and distributing volumes evenly across 2028–30. This would effectively mean holding back units and instead auctioning them at the end of the period. Compared with the default approach, this means volumes would be relatively lower in 2028, and higher in 2029 and 2030. The Commission's stated intent was to preserve volume for later years that could be reduced in future, if circumstances justified a reduction.

We sought feedback on the preferred approach for distributing auction volumes under the Commission's recommended auction volumes.

- Of the submitters who responded, almost all respondents supported the Commission's recommended distribution of volumes in the event that the Commission's recommended auction volumes were chosen.
- However, the majority of respondents also sought to clarify that they did not support the Commission's recommended auction volumes more generally.

Price controls

The Ministry recommended that the auction price floor and cost containment reserve (CCR) trigger prices remain fit for purpose. It recommended that all price settings remain unchanged (apart from routine inflation adjustments to 2028 onwards).

The Ministry also recommended to maintain current CCR volumes.

We sought feedback on the proposed auction price floor and the proposed CCR prices and volumes.

Price floor

Of those submitters who responded to the proposed price floor:

- almost all preferred to maintain the current price floor. Key arguments included:
 - (a) providing certainty for decarbonisation investment
 - (b) avoiding oversupply at times of low prices
 - (c) staying aligned with emissions reduction targets
 - (d) providing market confidence in a stable and credible carbon price.
- only one respondent preferred to increase the price floor
- only one respondent preferred to remove the price floor, arguing that the existing floor is unnecessary and that the 'price corridor' is likely inappropriate, given trading has been largely occurring outside of the corridor. They emphasised that the price floor is leading to a reduction in government revenue.

CCR prices and volumes

Of those submitters who responded to the proposed cost containment reserve price or volumes:

- almost all preferred to maintain current CCR prices and volumes, emphasising the importance of stability, market confidence, and alignment with emissions reduction targets. Some signalled the possibility that an increase could be needed in the future
- only one respondent preferred to remove the CCR prices, stating they are unnecessary
- one respondent preferred to set the CCR price on a “high-water basis” meaning the highest historical market price plus a margin. They suggested a CCR price of around \$96 – lower than the 2025 first-tier CCR price of \$193.

Stockpile risk to achieving the third emissions budget

In the consultation document, we detailed a range of scenarios in the NZ ETS market model, based on the different price and unit settings options, and accounting for different starting points in 2025. We presented insights from that modelling, including that the stockpile of units could jeopardise achievement of the third emissions budget (EB3) in certain circumstances.

We sought feedback on whether the stockpile will pose a risk to achieving the third emissions budget in the way described.

Of those submitters who responded:

- most agreed with our description of the possible risk posed by the stockpile to achieving the third emissions budget
- of those who disagreed, most stated uncertainty in the assumptions and forecasts as their primary reason.

Impacts on the economy and households

In the consultation document, we outlined the expected impacts on different groups under different NZ ETS settings options and scenarios, including how Māori interests are likely to be affected.

We sought feedback on our impact analysis estimates and any other key concerns about the potential impacts of each option on Māori communities.

We asked respondents if they agreed with our impact analysis, and if there were any other impacts we had not captured.

Of those submitters that responded:

- five agreed with our analysis

- four were unsure
- five disagreed with our analysis and suggested improvements, including: considering the impact of the rate of change in ETS price on firms and households; impact on market confidence (and flow-on impacts); and more consultation and engagement to inform the analysis.

We sought feedback on key concerns about the potential impacts on Māori communities.

- Two submitters supported broader consultation.
- Two voiced support for maintaining status quo settings in the context of supporting Māori business.
- Two emphasised that settings should not be influenced by impacts on Māori. It was highlighted instead that the second emissions reduction plan should address any impacts.

Auction volume options

The consultation document presented two options for auction volumes.

Option 1: Status quo auction volumes – volumes are unchanged from 2024 settings, which apply to 2025–29, and would be extended to 2030.

Option 2: Commission-recommended auction volumes – an increase of 13.6 million units to be auctioned over 2028–30.

Both options do not include changes to price control settings, beyond adjustment for inflation.

We sought feedback on preferred options, the benefits or improvements that could result from each option, and the challenges or risks of each option.

Most respondents preferred option 1 (ie, status quo auction volumes). Key arguments in favour included that it:

- keeps the ETS constrained, will keep prices higher and drive more climate action, thereby reducing emissions
- reduces the stockpile of units faster and accounts for uncertainty about the size of the surplus stockpile
- allows time to assess the effects of untested methodological changes
- improves certainty by reducing the level of annual change in auction volumes
- minimises risk for achieving emissions reduction targets
- aligns with current market price signals, given the current price is below the auction price floor
- reduces the gap between projected emissions and the third emissions budget
- avoids delays in climate action.

Only four respondents supported option 2 (ie, Commission-recommended auction volumes) Key arguments in favour included that it:

- lowers price volatility risk in the near term
- reduces concerns about immediate supply constraint

- enables emissions reduction targets to be achieved at a lower cost, including compliance costs for participants
- incorporates methodological improvements, supporting the predictability of auction volumes
- reflects the current state of the market.

We also asked if respondents preferred another option not outlined. Most did not provide an answer.

- One respondent suggested that other policies should be considered to enhance price stability.
- Three respondents suggested a more ambitious reduction in available NZUs.

NZ ETS cap for EB2

In the second emissions reduction plan (ERP2), the Government proposed to align the NZ ETS cap with the projected emissions from NZ ETS sectors under ERP2.

Choosing NZ ETS settings that align with ERP2 supports market confidence in the NZ ETS. In ERP2, the Government specifically proposed to allocate 91 Mt CO₂e of the second emissions budget (EB2) to NZ ETS sectors and committed to consulting on this allocation as part of the 2025 NZ ETS settings process. The Commission has refined this proposed figure slightly, as it uses a more granular breakdown of emissions than that used to develop the cap proposed through ERP2. The Commission's more detailed methodology, applied to that cap, results in an EB2 cap of 89.4 Mt CO₂e.

We asked respondents for feedback on the proposal to align the NZ ETS cap for EB2 with ERP2 projections, or suggestions for a more appropriate method for determining the NZ ETS cap for EB2.

Many did not provide feedback for this proposal. Of those that did provide feedback:

- three respondents supported the proposal, noting that as the main tool for reducing emissions, the ETS cap must align with ERP2. They emphasised that such alignment demonstrates consistency and predictability
- two suggested that the ETS cap should be aligned with either the tightened EB2 and EB3 recommended by the Commission, or New Zealand's first Nationally Determined Contribution (NDC1)
- in terms of suggestions, one respondent noted that any policy developments should be carefully managed, to give stable signals
- another noted that the proposal should consider the intended role of domestic emissions in meeting NDC1, with a tighter cap if the Government plans to over-achieve EB2 to support meeting NDC1.

Provisional NZ ETS cap for EB3

ERP2's 'new measures projections' estimate net emissions of 249.2 Mt CO₂e in the third emissions budget (EB3). The EB3 limit is 240 Mt CO₂e. This means additional abatement of 9.2 Mt CO₂e is required across 2031–35 to meet EB3.

Decisions about unit limits from 2026 onwards will start to include the EB3 period, and a provisional NZ ETS cap for EB3 will impact the cap for NZ ETS settings, as well as hedging volumes in the surplus stockpile estimate. This means we will need to make an assumption about how to allocate this additional abatement. We proposed that ETS-covered sectors should account for all the increased reductions needed to accord with EB3. This would result in a provisional NZ ETS cap for EB3 of 40.7 Mt CO₂e.

We sought feedback on the proposed provisional allocation of EB3 volume between ETS and non-ETS covered sectors.

Only five respondents provided feedback on this topic.

- Two supported the proposed approach. They noted that the Government has positioned the ETS as its principal climate policy tool and the lack of alternative policies currently in place.
- Two opposed the proposed approach, on the grounds that requiring ETS-covered sectors to account for all the additional emissions reduction required would be inequitable and damaging for ETS-covered sectors.
- One expressed no preference but noted that any policy developments should be carefully managed to give stable signals.

Changes to surplus methodology

To set appropriate unit limits, we need to estimate how many of the units currently in the NZ ETS market are 'surplus' and how to address them over time. Surplus units are units in private accounts that are not held for future surrender or other compliance purposes, and therefore may be sold freely into the market. By enabling additional emissions, surplus units increase the risk that emissions budgets will not be met. Determining how many units are surplus is therefore important, as it allows us to quantify and respond to that risk.

However, the size of the surplus stockpile is inherently uncertain and changes over time, including in response to change in market conditions. As such, we must regularly update and improve our estimates of the size of the surplus stockpile. This year, as well as including the latest data, the Commission has made substantial changes to its methodology for estimating the surplus.

We sought feedback on the overall changes to how the surplus stockpile is estimated. We also asked specific questions about key aspects of the methodology for estimating the surplus. Most respondents did not provide feedback on the changes to the surplus methodology. The numbers below relate to those who did respond.

On the overall changes to the surplus stockpile estimate:

- two agreed with the changes and supported updating the methodology based on new information

- four disagreed with the changes and suggested options for improvement, such as accounting for the fact that the liquidity of forestry supply varies depending on NZU price
- four were unsure about the changes to the surplus estimate, emphasising that the changes were new and untested.

We also sought specific feedback on the Commission's new assumptions about hedging and holding volumes:

- Around half of the respondents on this issue were broadly supportive of the updated assumptions and the estimated total scale of hedging and holding volumes. However, there were suggestions for further improvement, such as taking a more conservative estimate based on recent market dynamics.
- The other half disagreed with the updated assumptions and did not think the estimated total scale was appropriate. Two noted that our assumption of shortened harvest ages was inconsistent with the trends they had observed towards longer harvest ages.

We asked if the updated assumptions about post-1989 harvest liabilities and units liable to become surplus from the fourth mandatory emissions return period are based on the best available data and evidence.

Only six submitters responded to this question.

- Two did not consider the updated assumptions to be based on the best available data and evidence. They suggested additional information or approaches that could improve our confidence in the estimates. This included a survey of all post-1989 forest owners and taking into consideration the harvest age of different species and the credits held in permanent, unharvested forest.
- The other four were unsure.

Unsold auction volumes

When setting unit limits, all upcoming auctions are assumed to clear. When auctions do not fully clear in a calendar year, this means less supply has entered the market than expected, which reduces future estimates of the size of the surplus. A smaller estimated surplus means more units can be made available for future auctions, while still aligning with the NZ ETS cap.

Units not selling at auction provide a signal that the market may be adequately supplied without the unsold units. This raises a question about how to incorporate this information when assessing the appropriate unit limits for the future regulatory period.

We sought feedback on how to consider unsold auction units as part of the Government's NZ ETS settings decisions.

- Twelve of the 14 respondents to this question suggested that unsold units should be cancelled and not result in an increase to auction volumes in future settings decisions. Many respondents emphasised that unsold auction volumes signalled that the market is oversupplied.
- One respondent supported making the units available.

- One was unsure.

Further feedback on methodology

We sought any additional feedback on the calculations made for any of the steps in the seven steps methodology and if there was any evidence or information to support a different approach.

Two respondents provided additional feedback:

- One suggested that a purely mechanical application of the methodology could potentially miss the wider context and goals of the NZ ETS.
- The other suggested aligning the ETS cap with the tighter emissions budgets recommended by the Commission (through separate advice) and called for the use of more conservative surplus stockpile assumptions (ie, higher assumptions) rather than central estimates.

Some respondents suggested additional evidence and information to consider including the:

- Commission's advice to tighten EB2 and EB3 (as explained above)
- behaviour of the market.

Proposed changes to NZ ETS regulations 2025

We sought feedback on proposals to update regulations relating to the NZ ETS. These were categorised into calculating and reporting emissions; penalties and infringements; managing NZ ETS auctions; New Zealand Emissions Trading Register and accounts; and minor and technical changes. The aim is to ensure that the scheme runs efficiently and accurately, through updated values listed in regulations that are informed by new data, and through minor clarifications and corrections to regulation text.

Calculating and reporting emissions

The proposals in this section aim to ensure the NZ ETS functions as intended, so that the Government receives complete and accurate information about emissions.

Amend reporting requirements for destroyed landfill gas

The consultation set out two options for requiring operators that hold a landfill gas collection and destruction unique emissions factor (UEF) to report on how much landfill gas they have destroyed in the year. These were:

- no change – the Government continues to receive incomplete and unreliable information about landfill gas destroyed
- option 1 – mandatory reporting, requiring NZ ETS participants to report on the quantity of landfill gas collected and destroyed.

The nine respondents all preferred option 1.

Amend placement of the oxidation factor in the formula to calculate waste emissions

We outlined two options for clarifying how to apply the oxidation factor when calculating waste emissions.

- no change – the oxidation factor remains listed as 10 per cent, but without clear instructions on where in the formula to apply this
- option 1 – Clarify in regulations when to use the oxidation factor in emissions calculations.

All seven respondents preferred option 1.

Update DEFs for natural gas activities

Regularly updating the default emissions factors (DEFs) ensures that they are based on the most recent data. The consultation proposed to update the DEF for natural gas participants and asked if people agreed.

There were four responses: two agreed and two were unsure.

Update DEFs for geothermal activities

We outlined three options for the date range to use when updating DEFs for geothermal activities.

- no change – DEFs are not updated and may become out of date over time
- option 1 – using data from 2022 to 2024 to calculate the three-year average DEF
- option 2 – using data from 2023 to 2025 to calculate the three-year average DEF.

We sought feedback on the preferred ranking of the options. There were three responses.

- two ranked them as: option 2, option 1, no change
- one ranked them as: option 1, no change, option 2.

Including CO₂ sold by natural gas mining

The consultation asked if there was agreement that we should change the regulations to include CO₂ sold from natural gas processing, if the mass fraction of carbon in natural gas is measured after processing.

There were seven responses: five said yes, two were unsure.

Penalties and infringements

The proposal in this section aims to fix minor drafting errors, so that participants can be issued fees and fines.

Update regulation cross-references to ensure participants can be issued fees and fines

We proposed to update cross-references in the Infringement Regulations. This would enable the Environmental Protection Authority to issue infringement fees and seek fines for all participants who do not comply with their obligations.

We asked if there was agreement with this proposal. There were nine respondents: eight said yes, and one was unsure.

We also sought any other suggestions or feedback on the proposals about penalties and infringements.

There were two substantive responses.

- One recommended higher penalties to improve outcomes, with any revenue going towards mitigation and adaptation initiatives.
- The other suggested that the best way to gain compliance would be through education, communication of updates/changes, and clear instructions for implementation.

Managing NZ ETS auctions

The proposals in this section aim to support the effective functioning of NZ ETS auctions.

Manage rollover auction volumes within a calendar year

The consultation outlined three options for managing rollover volumes within a calendar year.

- no change – continue to roll unsold auction units over to the next auction
- option 1 – sell unsold units only if there is enough demand
- option 2 – Spread unsold unit volumes across the remaining auction year.

We sought feedback on the preferred ranking of the options. There were 16 responses.

Option 1 was the most preferred option (eight respondents). Five favoured no change, and three favoured option 2.

We also asked if we should consider any other change, or factors, when looking at changes to the provisions.

There were eight substantive responses, addressing several points:

- four said that units should not be rolled over and should be cancelled
- three said that auctions should allow for partial clearance rather than allowing bids below the CRP to result in a failed auction
- one suggested rolling over fewer units – for example, just rolling over 25 per cent of the remaining units
- two also suggested the alternative of adding the extra units to the CCR reserve.

Another three respondents said there should be no additional changes.

We also asked whether there were any unintended impacts or risks of the options that we had not identified and if so, what they were, and how they might be managed.

There were three responses – all were unsure.

Amend the collateral window for NZ ETS auctions

The consultation outlined two proposals for amending the collateral window for auctions. We asked which one people agreed with, giving them a chance to suggest an alternative time period as well. The two options were:

- no change – keep the collateral window at five working days
- option 1 – reduce the collateral window to three working days.

There were nine responses:

- five supported reducing the window to three working days
- two preferred a further reduction to two working days
- one preferred a further reduction but did not specify how much further
- one did not support a change.

New Zealand Emissions Trading Register and accounts

The objectives of the proposals in this section relate to the Register. They aim to ensure its requirements can meet the needs of the Government and NZ ETS participants.

Streamline statutory declaration requirements for account holders

We outlined two options for amending the statutory declaration requirements for account holders under the Unit Register Regulations.

- no change – continue to require statutory declarations as per the current regulations
- option 1 – remove the requirements to provide statutory declarations in the following circumstances:
 - removing a joint account holder
 - removing a primary representative
 - closing an account.

We asked which options people preferred. There were seven responses:

- six preferred option 1
- one preferred no change.

Correct the reference to the definition of a ‘qualified person’

The consultation proposed to update the Unit Register Regulations to remove and correct the reference to the CCRA¹ so that a consistent definition of ‘qualified person’ is applied.

We asked if people agreed with this update. There were six responses. Four said yes and two were unsure.

¹ The Climate Change Response Act defines a qualified person and this is referenced in the regulations.

Minor and technical changes

The proposals in this section aim to fix minor drafting errors in regulations.

Correct an error to ensure waste participants use time series data

The consultation proposed to correct a cross-reference² error to direct participants to use about time-series data on waste composition.

We asked if people agreed to this change. There were four responses. Two said yes and two were unsure.

Keep the reference to Geospatial Information Mapping Standard current

The consultation outlined three options for reconciling the Climate Change (General Exemptions) Order 2009 and the Geospatial Information Mapping Standard.

- no change – the standard remains out of date
- option 1 – amend the Order and update with the current version
- option 2 – remove version number and replace with a general reference so that when the standard is updated in future, the regulations will remain valid.

We asked people to rank the options in order of preference.

There were four responses. Three preferred the use of a general term rather than updating to the current version. One preferred to update to the current version.

² The regulation referenced the wrong columns in schedule 3.