Consultation document

Proposed changes to the New Zealand Emissions Trading Scheme regulations 2025

Ngā huringa e marohitia ana ki ngā waeture Kaupapa Hokohoko Tukunga o Aotearoa 2025

Ministry for the Environment
Manatū Mō Te Taiao

Te Kāwanatanga o Aotearoa
New Zealand Government

Disclaimer

The information in this publication is, according to the Ministry for the Environment's best efforts, accurate at the time of publication. The Ministry will make every reasonable effort to keep it current and accurate. However, users of this publication are advised that:

- the information does not alter the laws of New Zealand, other official guidelines, or requirements
- it does not constitute legal advice, and users should take specific advice from qualified professionals before taking any action based on information in this publication
- the Ministry does not accept any responsibility or liability whatsoever whether in contract, tort, equity, or otherwise for any action taken as a result of reading, or reliance placed on this publication because of having read any part, or all, of the information in this publication or for any error, or inadequacy, deficiency, flaw in, or omission from the information in this publication
- all references to websites, organisations or people not within the Ministry are for convenience only and should not be taken as endorsement of those websites or information contained in those websites nor of organisations or people referred to.

This document may be cited as: Ministry for the Environment. 2025. *Proposed changes to the New Zealand Emissions Trading Scheme regulations 2025: Consultation document*. Wellington: Ministry for the Environment.

Published in May 2025 by the
Ministry for the Environment
Manatū mō te Taiao
PO Box 10362, Wellington 6143, New Zealand
environment.govt.nz

ISBN: 978-1-991140-83-8
Publication number: ME 1892

Contents

Tables

Figures

About this consultation

This document sets out proposals and questions for you to consider across a range of proposed minor and technical updates to the regulations relating to the New Zealand Emissions Trading Scheme (NZ ETS). These regulations are made under the Climate Change Response Act 2002 (CCRA). The objective of these updates is to ensure the NZ ETS continues to function as intended.

These updates sit alongside the feedback the Ministry is seeking on the annual unit limits and price control settings process. For more information, including background information about the NZ ETS, see *Annual updates to New Zealand Emissions Trading Scheme limits and price control settings for units 2025*.

Table 1 outlines the proposals in this document.

Table 1: Proposals in this document

Proposed changes	Relevant regulations
Calculating and reporting emissions • Amend reporting requirements for destroyed landfill gas. • Amend formula to calculate the oxidation factor in waste emissions. • Update default emissions factors for natural gas activities. • Update default emissions factors for geothermal activities. • Including carbon dioxide sold by natural gas mining.	Climate Change (Waste) Regulations 2010 Climate Change (Unique Emissions Factor) Regulations 2009 Climate Change (Stationary Energy and Industrial Processes) Regulations 2009
Penalties and infringements • Update regulation cross-references to ensure participants can be issued fees and fines.	Climate Change (Infringement Offences) Regulations 2021
Managing NZ ETS auctions • Manage rollover auction volumes within a calendar year. • Amend the collateral window for NZ ETS auctions.	Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020
New Zealand Emissions Trading Register and accounts • Streamline statutory declaration requirements for account holders. • Correct the reference to the definition of a 'qualified person'.	Climate Change (Unit Register) Regulations 2008
Minor and technical changes • Correct the error to ensure waste participants use time series data. • Keep the reference to Geospatial Information Mapping Standard current.	Climate Change (Unique Emissions Factor) Regulations 2009 Climate Change (General Exemptions) Order 2009

How to have your say

The Government welcomes your comments on this consultation document. The questions throughout the document are a guide only and all comments are welcome. See appendix 1 for the full list of questions. You do not have to answer them all, and all comments are welcome. To ensure others clearly understand your point of view, you should explain the reasons for your views and give supporting evidence if needed.

Closing date for submissions

Send in your submission by 11:59pm, 29 June 2025. For details on how to make your submission, see How to have your say.

The consultation documents, and further details on how to make a submission, are available at https://consult.environment.govt.nz/climate/nz-ets-unit-settings-and-regulatory-updates-2025. If you have questions or want more information about the policy proposals or the submission process, please email ETSconsultation@mfe.govt.nz.

We will review and consider your feedback

The Ministry for the Environment will review all feedback. The Minister of Climate Change and Cabinet will then make decisions. The Parliamentary Counsel Office drafts the regulatory amendments and Cabinet approves them. The amendments will be published in the *New Zealand Gazette* by 30 September 2025 and will come into force from 1 January 2026 (or a later date if specified).

Calculating and reporting emissions

The NZ ETS was designed to include as many emission sources as possible.[1] People who perform any of the activities in Schedule 3 of the CCRA are 'mandatory participants'. Individuals or businesses must meet certain thresholds to be classified as mandatory participants, which helps to balance the objectives of the legislation with administrative and compliance costs. Individuals or businesses can also opt in to the NZ ETS.

Participants in the NZ ETS must meet a range of obligations, including:

- applying to open a holding account in the Register
- registering as a participant
- filing an emissions return at required intervals or in required circumstances:
  - by the end of March annually, provided they have met any required thresholds,[2] or by the end of June for post-1989 forestry participants[3]
  - when they de-register from the NZ ETS
  - when they submit returns to the Environmental Protection Authority (EPA) or, for forestry participants, the Ministry for Primary Industries
- surrendering units in accordance with required timeframes or receiving units.[4]

The objectives of the proposals in this section are 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

Gas produced by landfills is often destroyed before being emitted, for example, by capturing and burning it. To date, national estimates of gas that is destroyed by New Zealand's landfills have been based on incomplete voluntary reporting, combined with data from infrequent applications for unique emissions factors. This has created an information gap for the greenhouse gas inventory and NZ ETS policy development.

---

1 Ministry for the Environment and Treasury. 2007. *The framework for a New Zealand Emissions Trading Scheme*. Wellington: Ministry for the Environment and Treasury, p 41.

2 Thresholds are minimum levels of activity required before a participant is obligated to submit a return. They help avoid overly burdensome reporting expenses.

3 In New Zealand, the baseline date for greenhouse gas emissions is 1990. This means there are two categories of forest land in the NZ ETS: pre-1990 and post-1989. Post-1989 forestry participants must submit a final return in the year following the end of a mandatory emissions reporting period. They also have the option of submitting a provisional return in other years. Pre-1990 forestry participants must submit returns if they deforest their land.

4 Environmental Protection Authority. *Compliance in the ETS*. Retrieved 5 May 2025.

The problem: Through voluntary surveys, the Government receives incomplete and unreliable information about landfill gas destroyed by individual landfills. This makes it difficult to assess optimal regulatory settings in the NZ ETS and increases uncertainty in landfill emissions estimates in the greenhouse gas inventory.

Proposal: Provide regulations to require operators that hold a landfill gas collection and destruction unique emissions factor (UEF) to report on the landfill gas quantity they have destroyed in the year. Table 2 outlines the options for implementing this change.

Table 2: Options for amending reporting requirements for landfill gas destroyed

Option	Description	Assumed impact
No change	No requirements to provide this information. Requests may be sent to NZ ETS participants from the agency preparing the greenhouse gas inventory report.	Government receives incomplete and unreliable information about landfill gas destroyed.
Option 1: Mandatory reporting	Provide regulations to require NZ ETS participants to provide information on quantity of landfill gas collected and conveyed to destruction equipment.	Likely to be similar in cost and efficiency to the existing approach, because it uses the same established system. Increases accuracy of reporting to the greenhouse gas inventory. Provides evidence for further strengthening of policy on NZ ETS UEFs.

Question	
1	Which option [no change/option 1] do you prefer?

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

The default emissions factor (DEF) for disposing of waste is set in the Climate Change (Waste) Regulations 2010. It is periodically updated as New Zealand's waste profile changes. Most waste participants also apply for a site-specific UEF for landfill gas capture and destruction. The requirements for calculating and applying this UEF are set out in regulations 23A to 23D of the Climate Change (Unique Emissions Factors) Regulations 2009 (UEF Regulations).

These requirements include using a prescribed oxidation factor of 10 per cent (regulation 23C(2)(e) of the UEF Regulations). This estimates the volume of emissions that pass through the landfill cap[5] and are oxidised from methane into carbon dioxide.

The problem: The UEF Regulations as currently worded provide a method for calculating a UEF (regulation 23C), including modelling gross emissions (regulation 23C(2)), but they do not stipulate when the oxidation factor should be applied.

[5] A landfill cap is a layer of clay or some other material that covers the landfill.

This means that, when calculating a UEF, participants can apply the oxidation factor to all potential gross emissions, rather than just those that are net of any captured by the gas collection system. This misapplication would inflate landfill gas capture efficiency rates and lead to under-reported emissions.

Proposals: Table 3 outlines options for addressing this problem.

Table 3: Options for addressing use of oxidation factor in emissions calculations

Option	Description	Assumed impact
No change	The UEF Regulations do not specify when to use the oxidation factor in estimating total gross emissions in UEF calculations.	Risk remains of inflating landfill gas capture efficiency rates and of under-reporting emissions.
Option 1: Clarify in regulations when to use the oxidation factor in emissions calculations	Amend the UEF Regulations to specify the circumstances in which to use the oxidation factor. This is a regulatory change.	Aligns with Intergovernmental Panel for Climate Change guidelines. Gives participants greater clarity and instruction, and reduces their potential for non-compliance. Reduces the risk of inflated landfill gas capture efficiency rates and under-reported emissions; a regulatory requirement is generally a stronger incentive than a guideline. May require participants to reapply for UEFs for the 2025 year by 31 January 2026.

Question	
2	Which option [no change/option 1] do you prefer?

Update Default Emissions Factors for natural gas activities

DEFs for natural gas classes are values set in table 10, Schedule 2 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (the SEIP Regulations). They are based on data from emissions returns and support NZ ETS obligations for natural gas participants and 'opt-in participants' (those who do not mine themselves but buy more than 2 petajoules of natural gas a year).[6] A national average DEF is used to estimate emissions associated with the storage of natural gas.

DEFs in the Schedule 2 table need to be updated annually to reflect the composition of mined natural gas over time, and to account for the opening of new fields. This update has happened most years to maintain the accuracy of emissions reported under the NZ ETS.

The problem: If DEFs are not updated annually, opt-in participants have two options:

6 Schedule 4, Part 4 of the CCRA.

- report their emissions using the most recent DEFs, which will become out of date over time. This would affect the quality of their data, and the emissions cost they face in terms of NZUs to surrender
- request more detailed information themselves directly from operators of natural gas fields. This would improve the accuracy of their data but create a burden for them and the operators.

Proposal: Amend table 10, Schedule 2 of the SEIP Regulations to update the DEFs based on data from the 2025 emissions returns. Because these data are not yet available, this proposal does not set specific values. Following consultation, the DEF values will be made public through a Gazette notice by 30 September 2025.

Question	
3	Do you agree that this annual update to DEFs should occur? [Yes/No/Unsure]

Update Default Emissions Factors for geothermal activities

Geothermal participants in the NZ ETS currently have individual DEFs that are calculated based on the gas composition of their geothermal reservoirs. These DEFs are set out in table 6 of Schedule 2 of the SEIP Regulations and require updating periodically (most recently in 2024) to:

- include new geothermal participants who have begun operation since the previous update
- account for changes in the volume of greenhouse gases held in the geothermal reservoirs.

In addition to DEFs, many geothermal participants apply for and use UEFs. This is because they may be re-injecting at least part of the geothermal fluid back into the reservoirs, to reduce emissions, or otherwise have had a change in emissions since the DEFs were last updated. In 2024, the calculation methodology for UEFs in regulations 14 to 17 of the UEF Regulations were updated after consultation.

Most participants apply for a UEF each year, rather than using their DEF, because the UEF is more accurate, resulting in lower NZ ETS costs. Cabinet has previously agreed (following consultation in 2024) that, in the future, DEFs would be calculated based on a three-year rolling average of past UEF values where available (and the current DEF value set in regulation where not). This approach will reduce costs and administration for both the Government and participants because it removes the need for annual UEF applications unless a participant has a significant shift in their practices.

The problem: We intend to implement the rolling average approach to calculate DEFs, with changes to table 6 in Schedule 2 of the SEIP Regulations. An important decision is what date range to use for the first instance of this calculation. The date range decided will set the precedent for the calculation of DEFs in future years.

Proposal: We have two options for how we calculate the DEFs.

- **Option 1:** Apply a rolling average based on the past three years of UEFs and current DEFs available at the time of this consultation. This means we can clearly show the proposed DEF values through consultation. The most recent UEF would be from the year prior to consultation, with the result that improvements in efficiency would take an additional year

to be reflected in DEFs. For this year, that means setting 2026 DEFs based on data from 2022 to 2024. Table 4 outlines what the 2026 DEF values would be under option 1.

- **Option 2**: Apply a rolling average based on the DEFs and UEFs from the year of this consultation and the two previous years. This approach would consist of more up-to-date DEFs and UEFs. Because this year's UEFs will not be known until after consultation, we cannot provide a list of DEFs in the consultation material. For this year, option 2 would mean setting 2026 DEFs based on data from 2023 to 2025.

Table 4: Proposed 2026 geothermal DEF values using option 1 date range

Class – Geothermal fluid used by:	Type of value	Year 2022	Year 2023	Year 2024	Proposed DEF value for 2026 (option 1)
Part A					
Kawerau II	UEF	0.0152	0.0156	0.0143	0.015033
Kawerau Industrial	Current DEF	0.0174	0.0174	0.0174	0.0174
Kawerau KA24	UEF	0.0119	0.0119	0.0119	0.0119
Miraka Milk	Current DEF	0.0053	0.0053	0.0053	0.0053
Mokai I and II	UEF	0.00418	0.00382	0.00382	0.0039
Ngā Awa Purua	UEF	0.0087	0.0087	0.0087	0.0087
Ngā Tamariki	UEF	0.0073	0.0073	0.0069	0.0072
Ngāwhā I and II	UEF	0.0442	0	0	0.0147
Ngāwhā III	UEF			0	0.0437
	Current DEF	0.0655	0.0655		
Ohaaki	UEF	0.0333	0.0333	0.0333	0.0333
Poihipi Road	Current DEF	0.0051	0.0051	0.0051	0.0051
Rotokawa I	UEF	0.0119	0.0119	0.0119	0.0119
Te Ahi o Maui	UEF	0.0106	0.0113	0.0119	0.0113
Te Huka	UEF	0.0073	0.00358	0.00061	0.0038
Te Mihi	UEF	0.0044	0.0041	0.0045	0.0043
Topp 1	UEF	0.0102	0.0088	0.0088	0.0093
Wairakei Station site	UEF	0.0022	0.0023	0.0022	0.0022
Tauhara	UEF			0.0056	0.0237
	Current DEF	0.0300	0.0300		
Any other plant or process using geothermal steam to produce electricity or industrial heat	Current DEF	0.0300	0.0300	0.0300	0.0300
Part B					
Mokai Greenhouse	Current DEF	0	0	0	0
Tauhara Tenon	Current DEF	0	0	0	0
Any other plant or process using geothermal fluid to produce electricity or industrial heat through a process other than the production of geothermal steam	Current DEF	0.0009	0.0009	0.0009	0.0009

There is a trade-off between these two options. Option 1 provides more transparency, making clear what the next year's DEF will be. Option 2 is more responsive, reacting faster to changes in participants' UEFs. Table 5 summarises these two options and the assumed impact of each one.

Table 5: Options for calculating DEFs

Option	Description	Assumed impact
No change	DEFs are not updated and over time may become out of date.	Because DEFs are most likely to overestimate emissions, most NZ ETS participants continue to apply for UEFs annually, which is an additional cost to them.
Option 1: DEF averaging using data from 2022 to 2024	Implement the 2024 decision to move to rolling three-yearly averages for DEFs. Use the years 2022, 2023 and 2024 to determine the 2026 average. This is a regulatory change.	Is more transparent and provides certainty about the 2026 values to be set (information for the proposed averaging period is available now). Will allow some geothermal participants to avoid applying for UEFs or have less frequent need to do so. Allows updating of DEFs at no extra cost to the regulator. Reported emissions and associated NZ ETS costs are more consistent with actual emissions (but less so than option 2). No notable cost to implement.
Option 2: DEF averaging using data from 2023 to 2025	Implement the 2024 decision to move to rolling three-yearly averages for DEFs. Use the years 2023, 2024 and 2025 to determine the 2026 average. This is a regulatory change.	More reflective of current practice, reflects the three years immediately prior to determine the following year's average. Will allow some geothermal participants to avoid or reduce the need to secure UEFs as frequently. Allows updating of DEFs at no extra cost to the regulator. Reported emissions and associated NZ ETS costs are more consistent with actual emissions. No notable cost to implement.

Question	
4	Please rank the options [no change/option 1/option 2] in order of preference.

Including carbon dioxide sold by natural gas mining

New Zealand has one domestic producer of carbon dioxide (CO_2) for industry use: the Kapuni Gas Treatment Plant. The CO_2 is produced from natural gas when it is processed. It is part of the gas miner's NZ ETS reporting due to the miner measuring the mass fraction of carbon in the natural gas before it is processed.

The problem: If a natural gas miner measures the mass fraction of carbon in the gas after natural gas processing, then CO_2 removed before that point would not be included in the miner's emissions reporting. The existing natural gas miner is considering moving to this measurement point soon.

Proposal: We intend to change the NZ ETS regulations to ensure CO_2 sold from natural gas processing is required to be included in emissions calculations if the mass fraction of carbon in natural gas is measured after natural gas processing.

Question	
5	Do you agree that regulations should be changed to include CO_2 sold from natural gas processing if the mass fraction of carbon in natural gas is measured after natural gas processing? [Yes/No/Unsure]

Penalties and infringements

The objectives of the proposal in this section are to fix minor drafting errors to ensure participants can be issued fees and fines.

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

The Climate Change Response (Infringement Offences) Regulations 2021 (the Infringement Regulations) came into force on 1 January 2022. They:

- set out certain obligations in the NZ ETS and the synthetic greenhouse gas levy
- clarify that not meeting these obligations is an infringement offence
- specify that an infringement may result in a fee or fine imposed by the court.

In January 2023, amendments to the CCRA[7] that came into effect included changes to the forestry provisions in the CCRA. However, the Infringement Regulations were not amended to align with them.

The problem: Because the CCRA changes and the Infringement Regulations do not align, the EPA may not be able to issue infringement fees or seek a court-imposed fine for forestry participants who fail to comply with certain requirements under the CCRA.

Proposal: Correct the section reference errors in the Infringement Regulations to reflect the current version of the CCRA (table 6).

Regulation 9(1)(e) of the Infringement Regulations will be repealed, because an amendment to the CCRA made it redundant. Before that amendment, the emissions returns and notice requirements were separate. The CCRA now includes the emissions return formerly referenced in regulation 9(1)(e) with a notice requirement referenced in regulation 12(1)(c).

Table 6: Section reference errors in the Climate Change Response (Infringement Offences) Regulations 2021

Regulation	Incorrect section reference	Updated reference	Change
reg 5(1)	s 62(a)	s 62(1)(a)	Update the section reference.
reg 6(1)	s 62(c)	s 62(1)(c)	Update the section reference.
reg 7(1)	s 62(d)	s 62(1)(d)	Update the section reference.
reg 9(1)(c)	s 189	s 183A	Update the section reference.
reg 9(1)(d)	s 191	s 186B	Update the section reference.
reg 9(1)(e)	s 193	s 187(4)	Repeal reg 9(1)(e) because amendments to the CCRA made it redundant.
reg 12(1)(c)	s 192(3)	s 187(4)	Update the section reference.

[7] Climate Change Response (Emissions Trading Reform) Amendment Act 2020.

Questions	
6	We propose to update cross-references in the Infringement Regulations. This would enable the EPA to issue infringement fees and seek fines for all participants who do not comply with their obligations. Do you agree with this proposal? [Yes/No/Unsure]
7	Please provide any other suggestions or feedback on the proposals related to penalties and infringements.

Managing NZ ETS auctions

The Government auctions NZUs quarterly to NZ ETS participants. Possible outcomes for NZ ETS auctions include the following.

- **Auction fully clears:** There are enough bids at or above the confidential reserve price (CRP) to account for the units available.[8] Any bids below the CRP do not affect the auction result. If the CRP is not applied, all valid bids must be above the auction price floor established by the settings process. Units are allocated to the highest bidders first, but all units sell at the same clearing price.
- **Auction fully clears and cost containment reserve (CCR) triggered:** As above, but with a CCR price triggered and additional volume made available.
- **Auction partially clears:** There are fewer bids than units available. All bids are at or above the CRP, so all bidders are successful.
- **Auction declines:** There are fewer bids than units available. There is at least one bid below the reserve price, so the auction declines and no units are sold. An auction also declines if there are no bids at all.

If an auction declines, or partially clears, any unsold NZUs are rolled over to the next auction within the same calendar year. This ensures participants can access the full allocation of NZUs set by the annual NZ ETS cap for each calendar year. Unsold NZUs do not roll over into the next calendar year. However, these unsold units may affect decisions on unit limit settings in following years.

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

Manage rollover auction volumes within a calendar year

Currently, NZUs that do not sell at auctions accumulate into later auctions within the same calendar year. This can mean progressively larger auction volumes across a calendar year. Although this preserves the availability of auction volume throughout the year for NZ ETS participants, it increases the number of bids at or above the CRP[9] needed for the auction to clear.

The problem: Bidding behaviour can affect auction results. In particular, bids below the CRP can cause auctions to decline. This can prevent NZ ETS participants from purchasing units, even when they are bidding above the CRP. The accumulation of unsold NZUs across the calendar year increases the implications of this risk. This is inconsistent with the policy objective of the auction mechanism.

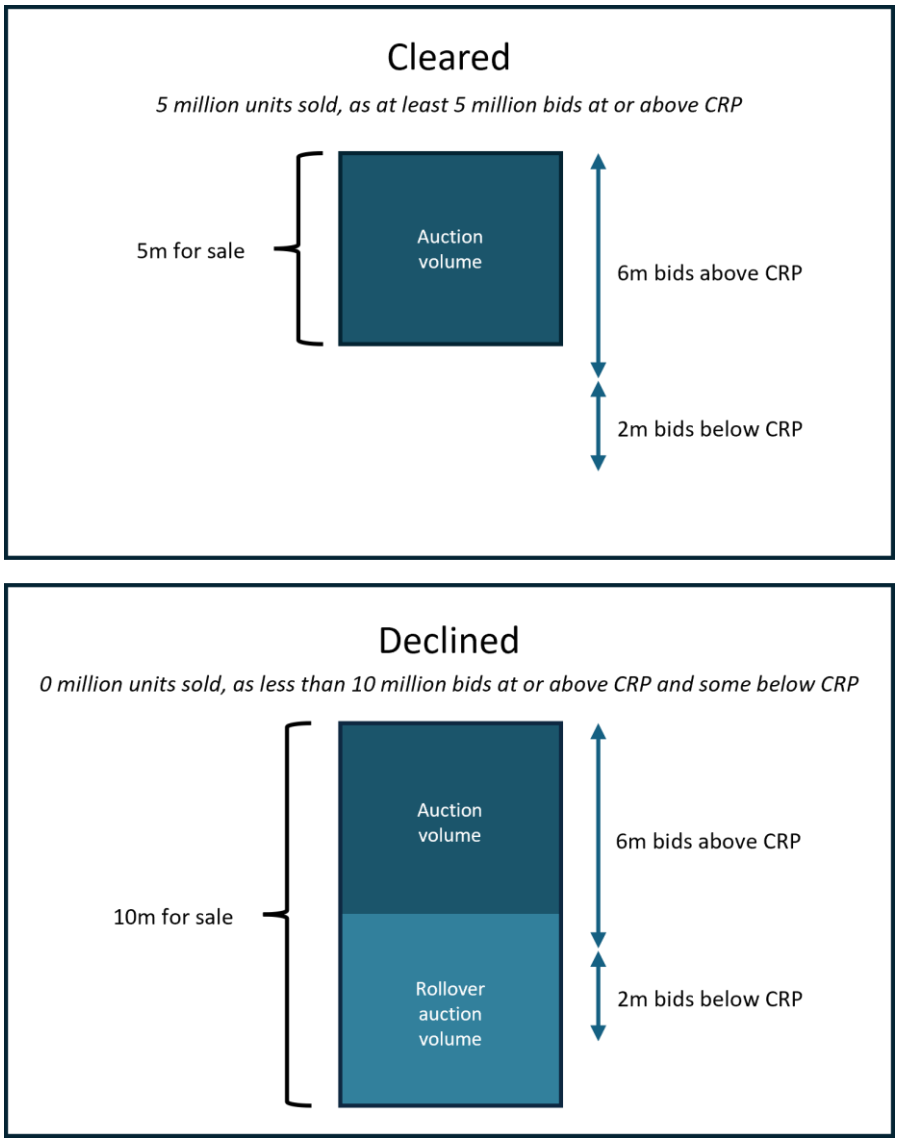
---

8 The auction clearing price is the greater of either the confidential reserve price (CRP) or the auction floor price. The CRP functions to prevent the sale of units below prevailing secondary market prices. It can be different at each auction and is not revealed to the public. The auction floor price is set in regulation.

9 The confidential reserve price functions to prevent the sale of units below prevailing secondary market prices. The confidential reserve price can be different at each auction and is not revealed to the public.

Figure 1 illustrates how the accumulation of unsold NZUs within a calendar year can affect auction outcomes. Both scenarios have identical bidding behaviour. However, the latter, which includes previous unsold NZUs, fails to clear due to bids below the CRP.

Figure 1: Example of impact of current auction rollover provisions for units within the same calendar year



Note: CRP = confidential reserve price.

Proposal: Amend regulations to change the way that rollover NZUs are treated at subsequent NZ ETS auctions in the calendar year. Options are outlined in table 7. The proposed changes would not affect the number of NZUs available, nor other aspects of the auction mechanism such as how the CRP functions.

Table 7: Options for managing rollover auction volumes

Option	Description	Assumed impact
No change	Unsold units continue to roll over to the next auction.	This can contribute to progressively larger auction volumes throughout the year, and bids below the CRP causing auctions to decline, as shown in figure 1.
Option 1: Sell unsold units if there is enough demand	Unsold units roll over, but are only sold if the current auction first clears its newly offered volume. Bidders can still access the unsold units if there is enough demand. However, these additional units will not affect participant's ability to first access the newly offered units. Remaining unsold volume will not roll over into next the calendar year, the same as current provisions.	This approach maintains market stability by preventing a buildup of unsold units that could distort the outcomes of later auctions, while also ensuring the volume remains available to participants if there is demand. Cost to the Crown to implement this change. However, enabling participants to better access units when there is sufficient demand would result in revenue from clearing those auction units to the Crown. Participants may find accessing units in larger quantities via auction more convenient than the secondary market.
Option 2: Spread out unsold volumes across the year	Instead of rolling over all unsold units to the next single auction, this option spreads them evenly across the remaining auctions in that year.	May enable better access to NZUs throughout the year. Will not resolve the issue for the final auction of the year if no auctions clear during the year, because all units accumulate into the final auction.

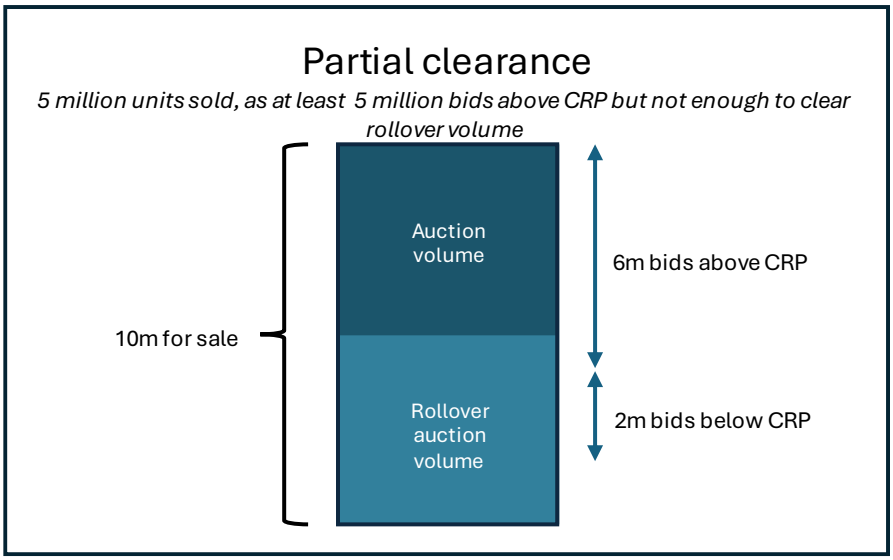
Figure 2 is an example of how option 1 would work, using the same scenario as in figure 1. In it, 5 million units are sold.

a) The auction operator first checks whether there are enough bids above auction clearing price to clear the 'new' auction volume of 5 million units. There is, so these units are sold, with the five millionth bid determining the sale price. This is the same outcome as the scenario in which there are no 'rollover units'.

b) The operator then calculates if the remaining bids are enough to clear the rollover volume. In the example, there are 1 million bids above the CRP and 2 million bids below it, so the rollover units fail to sell.

c) In all, 5 million 'new' units sell and re-offered 5 million do not. These unsold units are rolled over to the next auction or are cancelled if it is the last auction for the calendar year.

Figure 2: Example of auction result under option 1



Note: CRP = confidential reserve price.

Other options include holding two additional auctions per year, at regular intervals, so NZ ETS participants can access NZUs that were not sold in previous auctions, or cancelling any unsold NZUs after an auction has failed to clear. However, we are not considering these options further because we do not consider they are viable. Holding two additional auctions would be administratively complex, and cancelling rollover NZUs would remove the ability of NZ ETS participants to access these NZUs.

Questions	
8	Please rank the options [no change/option 1/option 2] in order of preference.
9	Is there any other change that you think we should consider? What other factors should we consider when looking at possible changes to the provisions?
10	Are there any unintended impacts or risks of the options that we have not identified? If so, what are they and how might they be managed?

Amend the collateral window for NZ ETS auctions

To participate in the NZ ETS auction, bidders are required to provide collateral at least five working days before the auction.[10] Since NZU auctions began in 2021, bidders have largely used cash as collateral, but Letters of Credit are also accepted. Collateral protects the Government against adverse price movement if a successful bidder refuses to or cannot settle their bid.

The problem: The NZ ETS does not pay interest on collateral that it holds. If the collateral is cash, the bidder loses the opportunity to earn interest on that money while it is held.

[10] Regulation 25, Climate Change (Auctions, Limits, and Price Controls for Units) Regulations 2020.

Proposal: Reduce the window that collateral is held for, to reduce the potential for lost earnings for the bidder. Table 8 outlines options for this change.

Table 8: Options for amending the collateral window for NZ ETS auctions

Option	Description	Assumed impact
No change	Collateral must be provided at least five working days before the auction.	Potential remains for a minimum of five working days' lost earnings for the bidder.
Option 1: Reduce the window to three working days	NZ ETS market participants would need to post collateral three working days before the auction.	Reduces the potential for the bidder to lose earnings, compared with the current situation.

Question	
11	Which of the following options do you agree with: • no change • decrease to three working days • change to another time period (please state)?

New Zealand Emissions Trading Register and accounts

The New Zealand Emissions Trading Register (the Register) is New Zealand's national registry for emissions units. The Register acts like a bank, but it holds New Zealand Units (NZUs) instead of money. Anyone wanting to own or trade NZUs in Aotearoa New Zealand must have an account in the Register.

The Environmental Protection Authority (EPA) administers the Register, and an employee of the EPA is appointed as the Registrar with statutory powers and responsibility to operate the Register on behalf of the Crown. Currently, the EPA's Chief Executive is the Registrar.

The objectives of the proposals in this section relate to the Register and seek to ensure the requirements associated with it can function in a way that meets the needs of the Government and NZ ETS participants.

Simplify statutory declaration requirements for account holders

The Climate Change (Unit Register) Regulations 2008 (Unit Register Regulations) state that account holders must provide a statutory declaration to the EPA when they:

1. open a holding account
2. add a joint account holder, or
3. appoint a primary representative.

A statutory declaration is also required when:

4. a person wishes to be removed as a joint account holder
5. the primary representative is removed, or
6. the account holder requests to close the account.[11]

The purpose of the statutory declaration is to confirm that the person meets the qualification requirements to hold an account and that primary representatives have been appointed and authorised to operate the holding account.

The EPA can rely on this information when adding the account holders and representatives to the Register.

The problem: Requiring a statutory declaration for the situations in 4, 5 and 6 above is an unnecessary compliance burden for account holders and is not necessary to manage any particular risks. It also creates a cost to the EPA to check that the declarations have been completed correctly.

[11] Regulations 6(6)(c), 12(3) and 17(3) of the Climate Change (Unit Register) Regulations 2008.

Proposal: Remove the requirement for a statutory declaration, when a joint account holder wishes to be removed (regulation 6(6)(c) of the Unit Register Regulations), a primary representative is removed (regulation 17(3)) and an account holder requests to close the holding account (regulation 12(3)). Table 9 outlines the options for this change.

Table 9: Options to streamline statutory declaration requirements for account holders

Option	Description	Assumed impact
No change	Account holders must provide a statutory declaration to the EPA to remove a joint account holder or primary representative, and close a holding account.	Administrative burden remains. Although assurance via a statutory declaration is provided, its purpose is not clear.
Option 1: Remove the requirement to provide a statutory declaration	Amend regulations so that the Registrar can approve the following transactions when the account holder requests, without needing a statutory declaration for: • removing a joint account holder • removing a primary representative • closing an account.	Reduces administrative burden for account holders and the Registrar.

Question	
12	Which option [no change/option 1] do you prefer?

Correct the reference to the definition of a 'qualified person'

The Unit Register Regulations provide processes, structures and definitions for managing the Register of accounts containing NZUs. These regulations also define who can open or manage an account.

The problem: When relevant CCRA amendments came into effect in January 2023, the reference to the correct section defining a qualified person in regulation 3(ba) of the Unit Register Regulations was not updated. This regulation therefore refers to a repealed section of the CCRA.[12]

Proposal: Update the Unit Register Regulations to remove and correct the reference to the CCRA, so that a consistent definition of 'qualified person' is applied.

Question	
13	Do you agree that the reference should be updated to ensure the definition of 'qualified person' is consistent between the CCRA and Unit Register Regulations? [Yes/No/Unsure]

[12] Section 186H(2) of the Climate Change Response Act 2002 (CCRA).

Minor and technical changes

The objective of the proposals in this section is to fix minor drafting errors in regulations.

Correct error to ensure waste participants use time series data

In 2024, regulation 23C of the UEF Regulations 2009 was updated.[13] This relates to waste participants who are applying for a UEF to collect and destroy landfill gases (who do not have historical composition data available). The update directs them to use historical national waste composition datapoints, which improves the accuracy of modelling.[14]

The problem: The current drafting of these changes has resulted in a cross-reference error. UEF participants are directed to use one historical compositional datapoint, rather than the most accurate time series data.

Proposal: Amend regulation 23C to correct this cross-reference error and direct participants to the correct data to use. This may require participants to reapply for UEFs for the 2025 year by 31 January 2026.

Question	
14	Do you agree that the error should be fixed? [Yes/No/Unsure]

Keep the reference to Geospatial Information Mapping Standard current

The Climate Change (General Exemptions) Order 2009 (the Order) exempts certain people or firms from the requirement to participate in the NZ ETS.

Information from geospatial mapping is one source that a person or firm uses to determine if they are exempt.

- Clause 18 of the Order specifies the use of Geospatial Mapping Information Standard, Emissions Trading Scheme (Forestry) as 'ETSMAPS.6, 24-06-2015'.[15]
- The standard is periodically updated, and the current version is 'ETSMAPS.8, 3 August 2023'.
- ETSMAPS.8 is available on the Ministry for Primary Industries website.

The problem: The reference in the Order is to an out-of-date standard.

Proposal: We are proposing two options for reconciling the Order and the Geospatial Information Mapping Standard, to ensure the most recent information is referenced (table 10).

---

[13] See regulation 6 of the Climate Change (Unique Emissions Factors) Amendment Regulations 2024.

[14] This change is due to come into force on 1 January 2026.

[15] Clause 18(2)(b) of the Order.

Table 10: Options for reconciling the Climate Change (General Exemptions) Order 2009 and the Geospatial Information Mapping Standard

Option	Description	Assumed impact
No change	The standard referenced in the Order is out of date.	People or firms may not be able to accurately determine if they are exempt from the requirement to participate in the NZ ETS.
Option 1: Specify the current version	Amend clause 18 of the Order. • Remove reference to 'ETSMAPS.6, 24-06-2015'. • Replace reference with 'ETSMAPS.8, 3 August 2023'.	Ensures participants access the current standard. Will require another update to the regulations when the next version of the standard is published.
Option 2: Remove version number and date	Amend clause 18 of the Climate Change (General Exemptions) Order 2009: • Remove reference to 'ETSMAPS.6, 24-06-2015'. • Replace with a reference to the standard in its full title without noting a specific version or publication date.	Ensures participants access the most recent standard. Removes the need for further amendments to legislation, as the standards are updated over time.

Question	
15	Please rank the options [no change/option 1/option 2] in order of preference.

How to have your say

The Government welcomes your feedback on this consultation document. The questions posed throughout this document are summarised in appendix 1. They are a guide only and all comments are welcome. You do not have to answer all the questions.

To ensure your point of view is clearly understood, you should explain your rationale and provide supporting evidence where appropriate.

Timeframes

This consultation opens on 28 May 2025 and closes at 11.59pm on 29 June 2025.

How to provide feedback

There are two ways you can make a submission:

- via Citizen Space, our consultation hub, available at https://consult.environment.govt.nz/climate/nz-ets-unit-settings-and-regulatory-updates-2025
- by writing your own submission.

If you want to provide your own written submission you can provide this as an uploaded file in Citizen Space.

We request that you don't email or post submissions as this makes analysis more difficult. However, if you need to please send written submissions to NZ ETS regulations consultation, Ministry for the Environment, PO Box 10362, Wellington 6143 and include:

- your name or organisation
- your postal address
- your telephone number
- your email address.

If you are emailing your feedback, send it to ETSconsultation@mfe.govt.nz as a:

- PDF, or
- Microsoft Word document (2003 or later version).

Submissions close at 11.59pm, 29 June 2025.

More information

Please direct any queries to:

Email: ETSconsultation@mfe.govt.nz

Postal: NZ ETS regulations consultation, Ministry for the Environment, PO Box 10362, Wellington 6143

Publishing and releasing submissions

All or part of any written comments (including names of submitters), may be published on the Ministry for the Environment's website, environment.govt.nz. Unless you clearly specify otherwise in your submission, the Ministry will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission and, in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this document under the Official Information Act.

The Privacy Act 2020 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this document. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

Appendix 1: Questions

These questions appear throughout the consultation document.

Questions	
1	Which option [no change/option 1] do you prefer?
2	Which option [no change/option 1] do you prefer?
3	Do you agree that this annual update to DEFs should occur? [Yes/No/Unsure]
4	Please rank the options [no change/option 1/option 2] in order of preference.
5	Do you agree that regulations should be changed to include CO_2 sold from natural gas processing if the mass fraction of carbon in natural gas is measured after natural gas processing? [Yes/No/Unsure]
6	We propose to update cross-references in the Infringement Regulations. This would enable the EPA to issue infringement fees and seek fines for all participants who do not comply with their obligations. Do you agree with this proposal? [Yes/No/Unsure]
7	Please provide any other suggestions or feedback on the proposals related to penalties and infringements.
8	Please rank the options [no change/option 1/option 2] in order of preference.
9	Is there any other change that you think we should consider? What other factors should we consider when looking at possible changes to the provisions?
10	Are there any unintended impacts or risks of the options that we have not identified? If so, what are they and how might they be managed?
11	Which of the following options do you agree with: • no change • decrease to three working days • change to another time period (please state)?
12	Which option [no change/option 1] do you prefer?
13	Do you agree that the reference should be updated to ensure the definition of 'qualified person' is consistent between the CCRA and Unit Register Regulations? [Yes/No/Unsure]
14	Do you agree that the error should be fixed? [Yes/No/Unsure]
15	Please rank the options [no change/option 1/option 2] in order of preference.

In addition to the questions above, we are interested in your thoughts on anything that we may not have considered in the updates proposed. We have included the following question to guide your feedback.

Question	
16	Please provide any other suggestions or feedback on any of the updates proposed in this consultation document.