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I, Rebecca Jane Prebble, of Wellington, public servant, of Wellington, state:

Introduction

1. My full name is Rebecca Jane Prebble.
2. I am the Chief Advisor, Climate Change and Resource Efficiency at the Ministry for the Environment. At the time of giving this evidence I am the Acting Deputy Chief Executive of the Climate Change and Resource Efficiency Business Group, but my substantive role is as Chief Advisor and that was the role I held during the period this evidence covers.
3. Hemi Smiler, the former General Manager of Climate Change Mitigation Policy, was originally intended to give this evidence. However, as Mr Smiler is currently seconded from his role, I am giving it instead and I will also be speaking to the substantive evidence Mr Smiler filed in 2025. As Chief Advisor on Climate Change, my work spans all of the topics covered in this evidence, but I worked on some elements more closely than others. The nature of my work means that I keep an overall watching brief on all projects within my business group, but step into some more actively when the need arises. Consequently, I have direct knowledge of some of the topics this evidence covers due to being deeply involved in the work – for example the proposed efficiency changes to the Climate Change Response Act 2002 and the change to the Nationally Determined Contribution accordance test for Emissions Trading Scheme unit volumes and price control settings. My knowledge of other areas is drawn from reviewing files and discussing matters with colleagues. A piece of work in this category is the methane component of the 2050 target change, which I was across but did not work on directly. I have a good understanding of the Emissions Trading Scheme, but I may defer to my colleagues Bryan Smith and Simon Mandal-Johnson for more technical points; Anne Haira and Gina Rangī for how MfE has worked and engaged with Māori on climate matters; and Katherine Wilson for the overarching adaptation matters.
4. I have not previously given evidence before the Tribunal.

Scope of my evidence

5. This brief of evidence provides detail on key government decisions affecting the Climate Change Response Act 2002 (CCRA) that have been made since early-2025.
6. Cabinet decisions in this brief of evidence are limited to those that have direct impacts on government climate change policy and programmes. These decisions are:
 - 6.1 amending the biogenic methane component of the 2050 domestic emissions target;
 - 6.2 legislating a review of the 2050 methane target to take place in 2040;
 - 6.3 deferring setting the fourth emissions budget (EB4) from 31 December 2025 to 31 December 2027;
 - 6.4 removing the New Zealand Emissions Trading Scheme (NZ ETS) settings' mandatory accordance with New Zealand's Nationally Determined Contribution under the Paris Agreement (NDC) requirement;
 - 6.5 amending the CCRA to provide greater recognition of food production;
 - 6.6 the continued exclusion of international aviation and shipping emissions from our domestic 2050 target;
 - 6.7 removing the commitment to implement a pricing mechanism for agricultural emissions by 2030;
 - 6.8 requiring local government to create adaptation plans for priority areas;
 - 6.9 making efficiency improvements to the CCRA to reduce compliance costs in achieving climate goals;
 - 6.10 amending industrial allocation settings to reduce disincentives for firms to invest in decarbonisation;

- 6.11 changing the annual NZ ETS settings process to a biennial one;
- 6.12 strengthening market governance of the NZ ETS New Zealand unit (NZU) secondary market;
- 6.13 adding 'carbon removal activities' to the CCRA as a removal activity for which a person may participate in the NZ ETS; and
- 6.14 making other technical changes to improve the CCRA, provide consistency, remove inefficient processes, and provide clarity. This includes making changes to how forestry is administered in the NZ ETS.

SUMMARY COMMENTS ON AMENDMENTS

7. On 12 December 2025, the CCRA was amended to:¹

- 7.1 Update the biogenic methane component of New Zealand's 2050 climate target to a range of 14-24% below 2017 levels by 2050, in response to the Climate Change Commission's (the Commission) review of the 2050 target under ss 5S and 5T of the CCRA and to the Methane Review Panel's review of the biogenic methane target and science.
- 7.2 Require a review in 2040 of the 2050 biogenic methane science and target to ensure it remains relevant, and is based on the most up to date science for consistency with no additional warming, and takes account of New Zealand's progress, that of New Zealand's trading partners and actions undertaken by the rest of the world, with a view to specifying a single point 2050 methane target.
- 7.3 Require the implications for food production to be considered as a matter relevant to advising on, and setting, emissions budgets to give greater prominence to

¹ Climate Change Response (2050 Target and Other Matters) Amendment Act 2025.

consideration of “food production” in climate policy decision-making. This would mean the impacts of climate policy measures on food production would be analysed in more detail and given greater emphasis by decision-makers.

- 7.4 Defer the requirement to set the fourth emissions budget and respond to the Commission’s advice on revision of existing budgets to 31 December 2027 to allow adequate time for both the Commission to revise its work to reflect the updated 2050 target and the Government to consider its advice and make final decisions. The timeline also avoids future overlap with NZ ETS settings processes.
- 7.5 Amend the accordance requirements for NZ ETS unit volumes and price control settings, by removing the requirement to accord with New Zealand’s NDC under the Paris Agreement to support the proper functioning of the NZ ETS. The rationale was that the test for the NZ ETS, which is primarily a domestic policy instrument, is best focused on alignment with domestic budgets and targets
8. As discussed in the Crown memorandum of 24 November 2025, Cabinet also made decisions on 19 September 2025 for policy amendments that would be included in the Climate Change Response (Adaptation, Efficiency and Effectiveness) Amendment Bill, which is anticipated to be introduced this year. The Government made these amendments with the intention of reducing costs to government and business in satisfying the requirements under the CCRA, providing greater certainty to businesses to support investment and economic growth, and reducing regulation.

CLIMATE CHANGE RESPONSE (2050 TARGET AND OTHER MATTERS) AMENDMENT ACT 2025

Amending the methane component of the 2050 target

9. Under the CCRA, the biogenic methane component of the 2050 emissions reduction target (the methane target) previously required that emissions of biogenic methane in a calendar year were:

- 9.1 10% less than 2017 emissions by the calendar year beginning on 1 January 2030; and
- 9.2 24% to 47% less than 2017 emissions by the calendar year beginning on 1 January 2050 and for each subsequent calendar year.
10. Section 4 of the Climate Change Response (2050 Target and Other Matters) Amendment Act 2025 (the Amendment Act) amended the 2050 methane target from 24% to 47% less than 2017 levels by 2050, to 14% to 24% less than 2017 levels by 2050. The biogenic methane target out to 2030 remains unchanged.
11. The amendment addressed concerns that the 2050 methane target could increase production costs in the agricultural sector, may risk driving jobs and production overseas to less emissions-efficient countries resulting in emissions leakage, risk exacerbating land use change, and that it was creating economic uncertainty.² It was considered that a lower methane target may reduce the potential negative economic impacts the 2050 target could have on the sector, and providing farmers and exporters with a clearer pathway to remain productive and competitive while continuing to reduce their emissions.

Policy development

12. The Government developed policy changes to introduce through the Amendment Act over the past 12 months, with key steps outlined in the table below. Ministers decided not to carry out public consultation with stakeholders on the changes introduced in the Amendment Act, noting consultation was not a statutory requirement for these changes.

Table 1 – Timeline of key milestones

Timeframe	Key Milestone
November 2023	<ul style="list-style-type: none"> <li data-bbox="660 1848 1490 1957">National-Act Party coalition commitment to review the 2050 methane science and target for consistency with No Additional Warming (NAW)

² BRF-6320/B25-0329 Briefing: Further 2050 target advice: policy impacts at [29] and [30]. [MFE.012.0060]

Timeframe	Key Milestone
June 2024	<ul style="list-style-type: none"> Establishment of the Methane Review Panel
November 2024	<ul style="list-style-type: none"> Recommendations from the Commission on the 2050 target are published
December 2024	<ul style="list-style-type: none"> Findings from the Methane Review Panel are published
December - September 2025	<ul style="list-style-type: none"> Ministers consider advice from the Commission and officials, as well as the Methane Review Panel's findings
September 2025	<ul style="list-style-type: none"> 22 September – Cabinet agrees to update the biogenic methane component of the 2050 target³ The Minister of Climate Change announces the Government's decision to amend the biogenic methane component of the 2050 target Government decision to not include international shipping and aviation emissions in the 2050 target

The Commission's advice on the 2050 target

13. The CCRA requires the Commission to prepare advice to the Government every five years on setting emissions budgets and reviewing the 2050 target. The Commission published their advice on reviewing the 2050 emissions target in November 2024.
14. The Commission made several recommendations aimed at strengthening the 2050 target and emissions budgets. They recommended:
- 14.1 Reaching at least negative 20 Mt CO₂e by 2050, including emissions from international aviation and shipping.
- 14.2 Reducing biogenic methane emissions by at least 35% to 47% by 2050.
15. The Minister responded to the Commission's advice in December 2025.⁴

³ CAB-25-MIN-0329 – Updating the 2050 Domestic Climate Change Emissions Target at recommendation 2. [MFE.012.0153]

⁴ BRF-5775/B25-0076 Responding to the Climate Change Commission's advice on the 2050 target and emissions budgets. [MFE.012.0001]; and <<https://environment.govt.nz/publications/government-response-to-the-climate-change-commission-2050-target-review/>>

The Methane Review Panel's findings

16. The Independent Methane Science and Target Review Panel's review of the biogenic methane target and science was published in November 2024. The Panel chose sets of methane reduction targets to test the levels of reduction in New Zealand's emissions that would be required to meet the principle of "no additional warming" (NAW) across global emissions scenarios. This approach aims to be consistent with stabilising the warming contribution of New Zealand's biogenic methane emissions by 2050 from 2017 levels.
17. The Methane Review Panel's findings showed that:
 - 17.1 In a scenario when global emissions are limited to a 1.5°C increase in global temperatures (i.e. a low global emissions scenario), a 24% reduction target for biogenic methane would be consistent with a NAW approach by 2050.
 - 17.2 In a low to mid-range global temperature scenario (i.e. 1.5-2.7°C), a 14-24% reduction in biogenic methane emissions would be consistent with a NAW approach.
 - 17.3 In a high global emissions scenario (i.e. 2.0-4.5°C), New Zealand's biogenic methane emissions could remain at 2022 levels by 2050 to meet the principle of NAW.
18. The Panel considered the mid-range scenario to be most aligned with the world's current trajectory of emissions reductions.
19. Ministers were also given advice by officials that the concept of NAW has a number of limitations in a target setting context, including:⁵
 - 19.1 The purpose of the CCRA (and therefore the basis of the 2050 target) is to "contribute to the global effort under the Paris Agreement to limit the global average temperature

⁵ BRF-5923/B25-0144 – 2050 target options and initial analysis at [22]. [MFE.012.0011]; and Regulatory Impact Statement: Updating the domestic 2050 climate change emissions target <<https://www.regulation.govt.nz/assets/RIS-Documents/Regulatory-Impact-Statement-Updating-the-2050-domestic-climate-change-emissions-target.pdf>>.

increase to 1.5° Celsius above pre-industrial levels” (section 3). NAW is not linked to achieving a temperature goal such as 1.5° Celsius as it seeks to maintain a particular level of historical warming rather than looking forward to what level of emissions reductions might be required in the future to contribute to achieving a particular temperature goal and what might be feasible to achieve it.

19.2 The amount by which New Zealand’s biogenic methane emissions must be reduced to achieve no-additional warming is not a single fixed number, and strongly depends on actions undertaken by the rest of the world.

20. Given these limitations, officials advised Ministers that assessing the target options discussed in the Methane review against other relevant criteria for target setting – including whether they reflect a sufficient domestic contribution to the Paris Agreement, alignment with the government’s economic growth agenda and implementation feasibility – would help to overcome these limitations, and ensure decisions on the 2050 target are well informed by a full range of evidence.

Making a decision on the 2050 target and related amendments

21. In February 2025, the Minister of Climate Change and Minister of Agriculture received advice from officials on potential timeframes to respond to the Commission’s advice on the 2050 target and emissions budgets.⁶ Ministers initially aimed to decide on and announce final policy decisions on the 2050 target in the second quarter of 2025, with the intent to pass legislation in 2025, or 2026 if required.

22. Ministers received advice on the 2050 target review in March 2025, which outlined potential options to amend the biogenic methane and long-lived gas components of the 2050 target.⁷ This initial advice outlined the

⁶ BRF-5775/B25-0076 Responding to the Climate Change Commission’s advice on the 2050 target and emissions budgets. [MFE.012.0001].

⁷ BRF-5923/ B25-0144 – 2050 target options and initial analysis at [28]. [MFE.012.0011]

recommendations made by the Commission, as well as the Methane Review's findings.

23. The advice also considered implications for iwi/Māori, including highlighting the fact that Māori-held assets in the agriculture and forestry sectors could mean they were disproportionately impacted by changes to emissions targets (impacts could be both positive and negative).⁸ Ministers were also advised that engagement may be appropriate. Ministers did not engage with Māori prior to the announcement, in part due to the market-sensitivity of the decision due to the ETS auction. Māori groups were informed about the decisions through MfE's regular channels soon after the announcement.
24. The March advice provided five options for changes to the 2050 emissions target, and noted other options were possible.⁹ To support the provision of initial feedback, officials provided an initial assessment of the option against three criteria:
 - 24.1 Alignment with the government's economic growth agenda (including fiscal and economic impacts, and international competitiveness).
 - 24.2 Contribution to the Paris Agreement temperature goal of limiting warming to 1.5°C above pre-industrial levels (as per the purpose of the CCRA under section 3).
 - 24.3 Implementation feasibility (including likely availability of technology and consistency with current government policy).
25. Ministers provided initial feedback on the range of options presented, signalling interest in a target of 24% below 2017 levels by 2050. In May, officials developed more refined options after receiving feedback from Ministers, with more detailed analysis on feasibility, and modelling of

⁸ BRF-5923/ B25-0144 – 2050 target options and initial analysis at [30]-[33]. [MFE.012.0011]

⁹ BRF-5923/B25-0144 – 2050 target options and initial analysis at [28]. [MFE.012.0011]

economic and warming impacts.¹⁰ Subsequent to this, further advice was requested from officials on the potential impacts of removing agricultural emissions pricing projections across biogenic methane target options, and options for how this abatement could be met.¹¹ Officials presented this advice to Ministers in June.¹²

26. Officials prepared a Regulatory Impact Statement (RIS) that covered analysis produced for the purpose of informing final Cabinet policy decisions to update the 2050 domestic climate change emissions target in the CCRA.¹³ This RIS assessed a range of policy options against the following criteria:¹⁴

- 26.1 alignment with the Government’s economic growth agenda;
- 26.2 contribution to limiting global temperature rise to 1.5°C above pre-industrial levels; and
- 26.3 target can be feasibly implemented.

27. The RIS noted that, although the principle of ‘no additional warming’ is one of the concepts that can be used to provide insight into the longer-term impact of New Zealand’s emissions, taking a ‘no additional warming’ approach has limitations in a target-setting context (as discussed above).¹⁵

28. The RIS also provided more in-depth analysis of the impacts each option would have on iwi/Māori. As context for this analysis, the RIS set out that the concentration of collectively held Māori assets in the agriculture and forestry sectors means climate change policies are likely to disproportionately impact Māori. This is due to the higher asset exposure to forestry, higher proportion of ownership of lower-quality land, barriers

¹⁰ BRF-6017/B25-0174 – Final policy decisions on the 2050 target at [11]-[52]. [MFE.012.0030]

¹¹ BRF-6017/B25-0174 – Final policy decisions on the 2050 target. [MFE.012.0030]. This briefing also provided an analysis of Government-led interventions to meet both the 2030 biogenic methane target and the 2050 biogenic methane target.

¹² BRF-6320/B25-0329 – Further 2050 target advice: policy impacts. [MFE.012.0060]

¹³ Regulatory Impact Statement: Updating the 2050 domestic climate change emissions target <<https://www.regulation.govt.nz/assets/RIS-Documents/Regulatory-Impact-Statement-Updating-the-2050-domestic-climate-change-emissions-target.pdf>>

¹⁴ At 2 and 3 of the RIS.

¹⁵ At [47] of the RIS.

in obtaining capital due to the inability to use land as collateral, variations in ownership structures, and greater representation in lower-income groups making it harder to absorb rising costs. The RIS also noted that iwi, hapū and Māori groups have a deep connection to land and natural resources which is central to identity, wellbeing, and cultural practices. Climate impacts can damage or restrict access to these places, threatening ancestral ties and cultural heritage which are passed down through generations.¹⁶

29. For an example of specific impacts, the analysis outlined the unique circumstances and limitations Māori sheep and beef farmers already face. Due to their higher emissions relative to production, it would be more difficult and costly for them to reduce their emissions without reducing stock numbers or resorting to land-use change to forestry. Benefits of changing the methane target included providing more certainty and flexibility for all farmers to reduce their emissions, including Māori farmers.¹⁷
30. Note that this analysis was only indicative, and the RIS highlighted actual impacts on different groups, including iwi/Māori, would be more influenced by policies and strategies used to meet the target than by the target itself. The RIS acknowledged the challenge in carefully balancing the need for iwi/Māori to protect their current livelihoods and land-based activities in the short term, with the long-term risks of reduced climate action, which would disproportionately impact iwi/Māori.¹⁸ This fundamental value judgement can lead to differing views on the policies to prioritise, even within iwi, hapū and Māori groups.
31. Officials drafted a Cabinet Paper for Ministers in July, which outlined three main policy changes as directed by Ministers' offices:¹⁹

¹⁶ At [204]-[227] of the RIS.

¹⁷ At [213] of the RIS.

¹⁸ At [212]-[216] of the RIS.

¹⁹ BRF-5983/B25-0404 – Draft Cabinet Paper: Resetting the 2050 domestic emissions reduction target at [1]. **[MFE.012.0074]**

- 31.1 amend the biogenic methane component of the 2050 emissions target from the current 24-47% to 14-24% reduction in emissions below 2017 levels;
 - 31.2 remove the commitment to introduce agricultural emissions pricing in 2030; and
 - 31.3 legislate a requirement to review the methane science and target in 2040, with agricultural emissions pricing to be considered at this time.
32. Officials provided additional advice to the Minister of Climate Change in August to support decisions that would stem from the draft Cabinet Paper. The Minister agreed to additional CCRA amendments that would ensure a smooth transition to the new target, namely:²⁰
- 32.1 Deferring setting EB4; and
 - 32.2 Adding transitional provisions to limit the impact of a new target on the 2025 ETS settings process.
33. On 22 September, Ministers provided officials with a final version of their Cabinet Paper,²¹ which outlined final policy decisions on the 2050 target, as well as additional amendments and proposals as follows:
- 33.1 Update the biogenic methane component of the 2050 target to reduce emissions of biogenic methane to a range of 14% to 24% below 2017 levels by 2050;
 - 33.2 Remove the proposal for a pricing system for on-farm emissions and directed the Minister of Agriculture and Minister of Climate Change to report back to Cabinet by May 2026 to provide an update on progress towards agricultural emissions reduction;

²⁰ BRF-6279 – 2050 target – additional legislative changes and implications of decisions at recommendations a-c. **[MFE.012.0095]**

²¹ CAB-592 – Updating the 2050 Domestic Climate Change Emissions Target. **[MFE.012.0133]**

- 33.3 Amend the CCRA to require a review in 2040 of the 2050 biogenic methane target, and methane science;
- 33.4 Defer the Minister's response to the Commission's advice on revision of existing emissions budgets to 31 December 2027 to provide for consideration of the updated target;
- 33.5 Extend the date in the CCRA by which EB4 (for the period 2036 to 2040) must be set by 24 months to 31 December 2027 and require consideration of the newly updated target by the Commission in updated advice;
- 33.6 Amend the CCRA to provide greater recognition of food production;
- 33.7 Amend the CCRA to provide a transitional provision to clarify that the Commission does not need to reconsult on its advice on setting of EB4 (and revisions to existing budgets) in light of an amendment to the 2050 target;
- 33.8 Amend the CCRA to provide a transitional provision to ensure the 2025 NZ ETS settings process is not affected by the change to the 2050 target;
- 33.9 Directed officials from the Ministry for Primary Industries (MPI), Ministry of Foreign Affairs and Trade, Treasury, and Ministry for the Environment (MfE) to investigate opportunities to align New Zealand's future international climate targets with its domestic split-gas target approach, and report back to the Minister of Agriculture, the Minister of Climate Change, the Minister of Foreign Affairs, the Minister of Finance, and the Minister for Trade and Investment; and
- 33.10 Directed officials from MPI and MfE to annually monitor the progress that other nations, particularly those who are the

highest emitting, are making towards their climate change commitments.

34. Note that the decision to remove the commitment to price agricultural emissions no later than 2030 did not require legislative change, nor did the proposals related to investigating opportunities to align New Zealand's future international climate targets with its domestic split-gas target approach or monitoring of other countries' progress.
35. The proposed amendments to the CCRA outlined in the Cabinet Paper (noting not all Cabinet decisions sought resulted in amendments) were introduced as part of the Amendment Act, which was passed on 12 December 2025. The Bill received Royal assent on 16 December 2025 and entered into force on 17 December 2025.

Mandating a 2040 review of the 2050 methane target

36. The amendments introduce an additional review of the 2050 biogenic methane target in 2040. This review must assess whether the methane target remains relevant and recommend a target for the reduction of biogenic methane emissions below 2017 levels. The review must consider the following:
 - 36.1 the latest science on the warming impact of biogenic methane emissions and what is required to achieve no additional warming from New Zealand's biogenic methane emissions;
 - 36.2 New Zealand's progress in reducing its biogenic methane emissions;
 - 36.3 New Zealand's trading partners' progress in reducing their biogenic methane emissions;
 - 36.4 the progress made and actions taken internationally to reduce biogenic methane emissions in order to meet emissions reduction targets under international treaties and agreements, such as the Paris Agreement;

- 36.5 whether the recommended target for the reduction of biogenic methane emissions should be a single percentage target; and
- 36.6 any other matters specified by the responsible Ministers.
37. This change was originally introduced in the Ministers' final Cabinet decisions in September 2025, with Cabinet authorising the Ministers of Agriculture and Climate Change to make policy decisions related to the design of the review.
38. Officials provided advice to Ministers to seek agreement to the details of the proposed review, including its purpose and scope, who undertakes the review, and its process requirements.²² On 28 September, Ministers agreed to the considerations for the 2040 review, and that there would be no requirement for who would undertake the review. Ministers also agreed that both the Minister of Climate Change and the Minister of Agriculture will be jointly responsible for the proposed 2040 review.

Recognising food production when determining emissions budgets

39. The Amendment Act adds the implications, or potential implications, for food production to be considered as a matter relevant to advising on, and setting, emissions budgets. This is to give greater prominence to implications for food production in decision-making about emissions budgets.
40. This change was originally introduced in the Ministers' final Cabinet decisions in September 2025, which stated that food production must be provided more consideration in the CCRA.
41. Officials provided advice to ministers on what such consideration could look like in practice.²³ On 28 September, Ministers agreed to require implications for food production to be considered by the Commission and

²² BRF-6866 – 2040 biogenic methane target review. [MFE.014.0234]

²³ BRF-6867/B25-0560 – Recognising food production in decision-making under the CCRA. [MFE.014.0242]

the Minister of Climate Change as a matter relevant to advising on and setting emissions budgets.²⁴

Deferring setting the fourth emissions budget

42. The Amendment Act extends the deadline to set EB4, as the Commission's advice on its recommended budget level for EB4 and other budgets being revised was made in alignment with the previous 2050 target. The updated 2050 target will have implications on emissions budgets, and therefore the Commission should be given time to update its budget advice to align with the new target.²⁵
43. The Commission will be required to update its advice on EB4 and notified emissions budgets by 31 March 2027. This allows sufficient time for the Minister of Climate Change to consider this advice and set EB4 before the new deadline of 31 December 2027.

Removing the ETS settings' mandatory accordane with NDCs

44. The Amendment Act also removes the requirement for NZ ETS settings to accord with our NDC under the Paris Agreement. The policy intent for this change was to support the proper functioning of the NZ ETS, and that it is more appropriate that the test for the NZ ETS, which is primarily a domestic policy instrument, be focused on alignment with domestic budgets and targets.
45. This change was agreed by Cabinet as part of policy decisions on the Climate Change Response (Adaptation, Efficiency and Effectiveness) Amendment Bill.²⁶ The Minister of Climate Change then agreed to use his delegated powers to incorporate this change into the Amendment Act in order to progress the removal ahead of the 2026 ETS settings process.²⁷

²⁴ BRF-6867/B25-0560 – Recognising food production in decision-making under the CCRA at recommendation 2a. **[MFE.014.0242]**

²⁵ CAB-592 – Updating the 2050 climate change emissions target at [46]. **[MFE.012.0133]**

²⁶ CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. **[MFE.011.0070]**

²⁷ BRF-6872 – Direction on legislative vehicle for changes to NZ ETS settings frequency and NDC accordane requirement at [5]. **[MFE.014.0251A]**

Response to criticism of NDC accordant amendment

46. This policy change does not change New Zealand’s commitment to its Paris Agreement obligations or the NZ ETS’s key role in meeting both domestic and international commitments. The NZ ETS will continue to incentivise emissions reductions and removals and continue to be required to align with emissions budgets, and New Zealand’s 2050 target. The change reflects the government’s view that the test for the NZ ETS, which is primarily a domestic policy instrument, should be focused on alignment with domestic budgets and targets, and is intended to support the proper functioning of the NZ ETS.

Impact on Māori

47. The removal of the NDC accordant requirement was expected to have a marginal positive impact overall. An outcome was sought that balanced future NZ ETS settings decisions, potential offshore mitigation, cost impacts to Māori firms and households, as well as considering benefits to Māori forest owners.

OTHER AMENDMENTS TO CLIMATE POLICY

Adaptation

48. Cabinet agreed to legislative proposals for adaptation plans on 22 September 2025.²⁸ An adaptation plan shows how communities in our highest-risk locations will prepare for and respond to the impacts from climate related natural hazards.²⁹ Delegated decisions were subsequently made by the Minister of Climate Change, Minister for Local Government, Minister for Emergency Management and Recovery, and Minister of Transport.³⁰ The intent is to create a new statutory function for territorial authorities to prepare and adopt adaptation plans for specific locations under the CCRA. These plans are intended to provide strategic planning and co-ordination of actions and investment needed to manage climate-

²⁸ See CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. [MFE.011.0070] and ECO-25-MIN-0151 – Climate Change Response Amendment Bill: Policy Decisions. [MFE.011.0072]

²⁹ CAB-540 – Establishing a National Adaptation Framework. Disclosed as Appendix B to Memorandum of Counsel for the Crown dated 31 October 2025.

³⁰ BRF 6881 – Delegated decisions to support efficient implementation of adaptation plans. [MFE.014.0340]

driven natural hazard risks and communicate how these risks are intended to be managed by local authorities. These changes are considered necessary to enable credible markets, in which local government, households, banks, insurers, businesses and communities are clear on their roles and have access to information, including price signals, so they can make decisions that account for climate risk.

49. The legislation (primary and secondary) is proposed to include content requirements for adaptation plans and process requirements for their development and communication. If necessary, further guidance may be produced on a non-statutory basis.

Consultation and engagement with Māori

50. MfE invited all Post-Settlement Governance Entities (PSGEs) to engage during 2025 following the Finance and Expenditure Committee inquiry. This resulted in 24 hui with PSGEs and some groups yet to settle their historical Treaty claims on the wider National Adaptation Framework work programme (including pillar 2– roles and responsibilities and pillar 3– investment in risk reduction).
51. The Ministry for the Environment also met with and received written feedback from Te Tai Kaha and Pou Take Āhuarangi over this period, including on the adaptation planning proposals specifically.
52. Many of the Māori groups engaged with were generally supportive of progressing adaptation action through the framework. Suggestions for the framework included statutory protections for Māori interests, a bespoke pathway for whenua Māori and a broader scope looking at wider resilience or catchment approach. Some groups sought consideration for small, rural, Māori communities to deal with risk and Māori cultural values, perspectives and customary rights, including in relation to determining priority locations. There was support for iwi, hapū and wider Māori communities to be involved in the adaptation plan development process, including in decision-making roles, and it was stated that consideration

must be given to how Māori-led and council-led adaptation plans interact, are resourced and implemented.³¹

Consideration of Treaty/Māori impacts

53. The proposals are intended to support Māori involvement in decisions in relation to land and taonga, in the context of localised adaptation planning. The proposals build the consideration of the needs of Māori into the process for identifying priority locations for adaptation plans through the spatial planning process. They recognise the Māori participation mechanisms in the Local Government Act 2002 and seek to provide consistency in approach for adaptation planning through developing specific provisions in secondary legislation.³² They are also intended to build on the existing Iwi Management Plan tool recognised by the resource management system to communicate the interests of iwi and hapū in relation to adaptation (subject to the passage of the Planning Bill and Natural Environment Bill). Taken together, the proposals provide for both the role of Māori and the governance role of local government to plan for adaptation.

Efficiency

Rationale for change

54. In early 2025, the Government committed to reviewing the CCRA to make it more efficient to implement by streamlining processes that enhance its operation and effectiveness.³³
55. I led a small team that completed a rapid line-by-line review to make an initial assessment of the value of each requirement within the Zero Carbon Framework (ZCF) of the CCRA relative to the resourcing needed to achieve them. Some of these requirements, including those relating to ERPs and the Commission, are discussed in Mr Smiler and Ms Wilson's evidence. As

³¹ BRF-6419 – Establishing a National Adaptation Framework: Policy decisions and draft Cabinet paper at [35]-[40]. [MFE.014.0322]

³² See CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. [MFE.011.0070] and ECO-25-MIN-0151 – Climate Change Response Amendment Bill: Policy Decisions. [MFE.011.0072]

³³ <https://www.beehive.govt.nz/sites/default/files/2025-01/Prime_Minister%27s_Statement_to_Parliament_280125.pdf>

most of the processes in the ZCF have been completed at least once, first hand experiences by officials in satisfying these processes helped to inform this rapid review. The purpose of the rapid review was to support agreement from the Minister around the scope of the review.³⁴

56. This line-by-line review highlighted that there were changes to the ZCF that could be made, which varied on the spectrum from minor changes to streamline existing requirements through to major fundamental changes or removal of requirements.
57. Out of scope of the review were the existence of: the Commission; the NZ ETS; 2050 Target, Emission Budgets (EBs); Emission Reduction Plans (ERPs), National Adaptation Plans (NAPs); and monitoring, progress and accountability mechanisms.
58. Following the rapid review, officials undertook targeted engagement to seek feedback on the relevant challenges identified by officials, if they had possible solutions, and any other potential opportunities for improvement. Some stakeholders also told us that there are some areas of the CCRA that can be burdensome or create duplication, including when multiple consultations are held on similar or the same topics.
59. In developing advice, officials considered what efficiencies could be made while maintaining the fundamental purpose and integrity of the ZCF by ensuring there are appropriate checks and balances. This advice also included relevant trade-offs, estimated cost savings, and an indication of support for proposed changes based on insights from engagement.

Decisions

60. On 24 July 2025, the Minister of Climate Change agreed to key changes to the ZCF, which included:³⁵
 - 60.1 Removing the Commission’s requirement to provide advice to the Government on emissions reduction plans;

³⁴ BRF-5881 – Scope and process for efficiency improvements to the Climate Change Response Act. [MFE.014.0274]

³⁵ BRF-6321 – Options to improve the efficiency of the Climate Change Response Act 2002 at recommendations A-N. [MFE.014.0065/MFE.014.0371]

- 60.2 Simplifying the required content of ERPs and clarifying how to update an ERP;
 - 60.3 Creating a new ability to amend a NAP;
 - 60.4 Simplifying consultation requirements to remove duplicative consultation between the Commission and the government; and
 - 60.5 Amending the timing and frequency of Climate Change Commission advice and reports and Government decisions and responses.
61. On 4 August 2025, the Minister of Climate Change agreed to additional minor and technical amendments intended to improve the legislation, provide consistency, remove inefficient processes, and provide clarity.³⁶ These cover a range of topics including: ETS activities, emissions projections, data, and information sharing, ETS Settings, Industrial Allocation, ETS penalties, administration of forestry in the ETS, and response to Commission's reports.
62. In response to the 4 August 2025 advice, the Minister also asked officials to consider further changes to reduce the costs of managing the CCRA. In preparing the final Cabinet paper, further amendments were incorporated. Some of these were a result of feedback from the Prime Minister's Office (PMO) as part of the Ministerial consultation. On 31 August 2025, the Minister approved the following proposals:³⁷
- 62.1 further reduce the frequency of National Adaptation Plan progress reports to one progress report every six years;
 - 62.2 reduces the number of board members of the Commission to between five and seven;

³⁶ BRF-6562 – Further amendments to improve the Climate Change Response Act 2002 at recommendations A-W. **[MFE.014.0085]**

³⁷ BRF-6685 – Additional options to improve the efficiency of the Climate Change Response Act at recommendations b-h. **[MFE.014.0117]**

- 62.3 removed the requirement for ETS settings to accord with Nationally Determined Contributions for New Zealand under the Paris Agreement;
 - 62.4 update the purpose of the CCRA to include reference to efficient and effective policies;
 - 62.5 include reference to considering efficient and effective policies when the Commission provides advice on, and the Minister sets, emissions budgets; and
 - 62.6 removing reference to the 1.5° Celsius temperature limit when setting emissions budgets.
63. When the Minister approved the Cabinet paper for lodgement, the Minister also agreed:³⁸
- 63.1 not to progress with a previous decision to clarify the statutory duty to prepare an emissions reduction plan that meets the relevant emissions budget;
 - 63.2 to further refine previous decisions on the process for amending an ERP to provide greater clarity; and
 - 63.3 to further refine previous decisions to clarify that existing Treaty clauses are reflected in new requirements relating to ERPs.
64. On 22 September 2025, Cabinet agreed these policy changes to the CCRA.³⁹ They were publicly announced on 4 November 2025.⁴⁰

Removing the Commission's requirement to provide advice to the Government on ERPs

65. Under the proposed changes, the Commission would no longer be required to provide advice on policy direction ahead of an ERP being developed by

³⁸ BRF-6775 – Climate Change Response Amendment Bill – Approval to lodge Cabinet paper at [5], [6], [8] and [29]. [MFE.015.0516]

³⁹ CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. [MFE.011.0070] and ECO-25-MIN-0151 - Climate Change Response Amendment Bill: Policy Decisions. [MFE.011.0072]

⁴⁰ <<https://www.beehive.govt.nz/release/improving-new-zealand%E2%80%99s-climate-change-act>>

the Government (s 5ZH of the CCRA). This would result in fiscal savings as it is a substantial deliverable for the Commission that happens every five years and has associated public consultation.⁴¹

66. Our advice noted that there is a degree of duplication as the Commission has alternative avenues for giving similar advice through its:
- 66.1 EB advice, which considers the role of pricing and policy methods in determining what is technically and economically achievable (s 5ZA of the CCRA); and
 - 66.2 annual Emissions Reduction Monitoring (ERM) Report which provides commentary on the effectiveness of policies in place and new opportunities to reduce emissions to achieve the current emissions budget (ss 5ZJ, 5ZK, and 5ZL of the CCRA).
67. Our advice also noted that since the requirement was first introduced, the governmental climate policy system has matured with improvements to capability and capacity across relevant agencies. Agencies are now in a better position to advise the Minister(s) on the impact, cost, trade-offs and implementation requirements of various policies to inform their decision making.
68. In making this proposed change, the Government would be re-focussing the Commission's mitigation role to providing independent advice on the longer-term direction of emissions reduction and as a monitor of progress towards these mitigation goals through:
- 68.1 advice on the 2050 Target reviews (s 5S of the CCRA) and advice on EBs (s 5ZA of the CCRA); and
 - 68.2 annual independent monitoring on progress towards the 2050 Target and EBs (ss 5ZJ, 5ZK, and 5ZL of the CCRA).

⁴¹ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

69. The above functions would remain in place and the proposed changes would not impact the broad ability for the Minister to request standalone advice, which could include on the direction of an ERP.

Simplifying the required content of ERPs

70. The Bill proposes to simplify the legislated content requirements of an ERP so that it would only need to include:⁴²

- 70.1 policies and strategies for meeting the relevant emissions budget (s 5ZG(1)(a) of the CCRA);
- 70.2 a strategy to mitigate the impact on iwi and Māori (s 5ZG(3)(c) of the CCRA); and
- 70.3 any other policies or strategies that the Minister considers necessary (s 5ZG(3)(d) of the CCRA).

71. The proposed change is intended to allow Ministers to develop and articulate their own overarching climate change strategy and publish a simpler, more concise plan. Any aspects of the current legislated requirements could still be included at the discretion of the Minister.

Clarifying how to update an ERP

72. The Bill also proposes to clarify the processes for amending an ERP by allowing the Minister of Climate Change to change an ERP's supporting policies and strategies at any time with no consultation requirement and subject to first considering the impact on emissions for the relevant emissions budget, and the impact on iwi/Māori.⁴³
73. This proposed change is intended to enable an ERP to be updated more efficiently to reflect the fact that its supporting policies and strategies may change over time, and to minimise any delay in an ERP reflecting the current policies and strategies.

⁴² CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

⁴³ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

74. The change would not preclude the Minister from choosing to consult on amending an ERP, rather it would remove the mandatory need to, regardless of the changes being proposed.

Creating a new ability to make amendments to a NAP

75. The Bill proposes to create a new ability that allows a NAP to be amended at any time subject to the Minister of Climate Change first considering the implications for addressing the most significant risks in the National Climate Change Risk Assessment and the impact on iwi and Māori.⁴⁴
76. There is no legislative avenue for the Minister to amend a NAP for anything more than a “minor or technical change” (under s 5ZT(2) of the CCRA). Some of the NAP1 actions were updated as part of the Government’s response to the Commission’s recommendations in the Progress Report, but there were no legislative requirements guiding this process. As this only happens every two years and the Bill proposes to reduce this to every six years, relying on that mechanism does not provide sufficient opportunity to update a NAP in a timely manner.
77. This proposed change is intended to enable successive governments to more efficiently adjust policies to align with their adaptation priorities and strategies or take into account new information or opportunities.

Simplifying consultation requirements

78. The Bill proposes to remove the implicit public consultation requirement for the Commission when developing advice on emissions budgets. This would revert the Commission’s obligations to that under section 5N(1) where it “...must proactively engage with persons the Commission considers relevant ... and where the Commission considers it is necessary, provide for participation by the public”.⁴⁵
79. This proposed change is intended to align with the requirement for the Commission’s 2050 target advice and ETS settings advice by providing discretion to allow the Commission to determine what

⁴⁴ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

⁴⁵ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

engagement will best balance time and resourcing with the quality of information gathered.

80. The Bill also proposes to remove the Minister’s consultation requirements when setting EBs. This change is intended to simplify the current set of obligations where the Minister is required to have regard to the results of public consultation when setting an EB, be satisfied that there has been adequate consultation, and consider if additional consultation is needed if the proposed EB departs from the advice of the Commission.
81. The intention is to reduce the potential for duplicative consultation and limit the time and fiscal burden associated with consultation. This is because:
- 81.1 the Commission would have gathered and considered information and evidence in considering relevant matters and tested these through targeted engagement with experts;
 - 81.2 the Commission may have already considered if it is necessary to provide for wider participation by the public;
 - 81.3 the Minister would still have the ability to undertake consultation; and
 - 81.4 the Minister would still be required to consult with political parties and to publicly explain the reasons for a departure from the Commission’s advice.

Amending the timing and frequency of Climate Change Commission advice and reports; and Government decisions and responses

82. The Bill proposes to change the timing and sequencing of Commission advice and reports and Government decisions and responses to ensure the system works more efficiently and effectively.⁴⁶
83. The Bill proposes to amend the timing of 2050 Target advice and decisions, EB advice and decisions, and the publication of ERPs. The Minister

⁴⁶ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

considered these changes would help to smooth resourcing peaks, reduce potential duplication, and allow connected decisions to occur concurrently. These changes would mean:

- 83.1 The Commission would provide 2050 target advice in the first year of each emissions budget period.
 - 83.2 The Minister would make a decision on the 2050 target in the second year of each emissions budget period.
 - 83.3 The Commission would provide advice on emissions budgets in the third year of each emissions budget period.
 - 83.4 The Minister would set a new emission budget and decide whether to update existing emissions budgets in the fourth year of each emissions budget period.
 - 83.5 The Minister would publish the ERP for the forthcoming emissions budget in the fifth year of an emissions budget period.
84. The Bill also proposes to adjust the timing for the Commission's ETS Settings advice and annual emissions monitoring report so that both reports would be delivered in April in the years they are required. The purpose of this change is to ensure both pieces of advice would use the same emissions projections, with aligned timing helping them to be a more consistent and coherent package.
85. The timeframe to make decisions on ETS Settings and respond to the Commission's emissions monitoring report are proposed to be relaxed to allow both decisions to happen together, in years when NZ ETS settings decisions are made. This would be achieved by:
- 85.1 reducing the timeframe for ETS Settings regulations to come into force from three months to 28 days; and
 - 85.2 extending the timeframe for a response to the ERM Report from three months to any time during that calendar year.

86. The timeframe for when the Minister must respond to the Commission's end of emissions budget report is also proposed to be extended from three months to six months. This proposed change reflects that experiences from responses to the annual ERM report suggest that three months is a very tight timeframe to make significant decisions such as banking of overachievement or borrowing to address underachievement.
87. The Bill also proposes to reduce the frequency of NAP progress reports provided by the Commission and related Government responses, so that only one progress report would be needed, two years after the NAP is published. The rationale for this change is that the second report creates a resourcing peak with the development of the National Climate Change Risk Assessment, and the third progress report is due at the same time as the next NAP and will not be published in time to inform the development of the new NAP.

Number of Commission board members

88. The Bill proposes to reduce the number of board members of the Commission from between five and nine to between five and seven.⁴⁷
89. The rationale for this proposed change is to better align the Commission board with the boards of similar Crown entities. The most similar entity to the Commission in terms of its advisory role and functions is the Mental Health and Wellbeing Commission, which has three to seven members. The Energy Efficiency and Conservation Authority has six to eight members, the Electricity Authority has five to seven members, and the Environmental Protection Authority has six to eight members.⁴⁸

Reference to the 1.5° Celsius temperature limit when setting emissions budgets

90. The Bill proposes to remove reference to the 1.5° Celsius temperature limit when setting emissions budgets.⁴⁹

⁴⁷ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

⁴⁸ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 1. [MFE.011.0075]

⁴⁹ BRF-6685 – Additional options to improve the efficiency of the Climate Change Response Act at [41]-[44]. [MFE.014.0117]

91. The intention of this change is to better reflect the policy intent of setting emissions budgets, which must be set with a view to achieving the 2050 target, whereas the New Zealand's legislative 2050 target is Parliament's determination of our contribution to the 1.5° Celsius temperature goal.⁵⁰

Efficient and effective considerations and references

92. The Bill proposes a reference to considering efficient and effective policies when the Commission provides advice on, and the Minister sets, emissions budgets. The Bill also updates the purpose of the CCRA to include reference to efficient and effective policies.⁵¹
93. The intention is to provide a greater emphasis on value for money for the taxpayer through policies that are cost-effective.⁵²

Assessment/consultation

94. During the review, officials undertook targeted engagement to seek feedback on the relevant challenges, possible solutions and implications, and any potential opportunities for improvement. The stakeholders that chose to participate included the Climate Change Commission, the Parliamentary Commissioner for the Environment, Lawyers for Climate Action NZ Inc, Greenpeace, UNICEF, Fonterra, Horticulture NZ, Beef + Lamb, Dairy NZ, Federated Farmers NZ, Business NZ, Sustainable Business Council, Energy Resources Aotearoa, MfE's Climate Business Advisory Group, and climate experts, James Shaw, Christina Hood and Paul Young.
95. Officials also meet with Te Tai Kaha and National Iwi Chairs Forum (Pou Take Āhuarangi) and a survey was sent to PSGEs, which received four responses. This engagement found that Māori noted the resource constraints they face in participating in multiple consultations. In general, there was a preference towards targeted engagement through online or in-person workshops but noted that material needs to be targeted to

⁵⁰ BRF-6685 – Additional options to improve the efficiency of the Climate Change Response Act at [41]-[44]. **[MFE.014.0117]**

⁵¹ BRF-6685 – Additional options to improve the efficiency of the Climate Change Response Act at [52]-[55]. **[MFE.014.0117]**

⁵² BRF-6685 – Additional options to improve the efficiency of the Climate Change Response Act at [52]-[55]. **[MFE.014.0117]**

Māori to ensure it is helpful and that time is needed to properly develop relationship to engagement with communities. While there was no proposal to remove requirements to consult with Māori/Iwi, Treaty partners raised concerns if this was to occur. There was general agreement that the sequencing of climate policy advice and decisions is poorly aligned and could be improved.

96. Feedback was used to understand Māori challenges and engagement with different parts of the CCRA requirements, develop options, and inform subsequent advice to the Minister on how requirements with the CCRA could be improved. It also informed a provisional assessment of the anticipated level of support for proposed changes.
97. Due to constrained timeframes officials were unable to test specific proposals with stakeholders. Instead, officials engaged with the Commission staff on specific options to understand the impact, implications and practicalities.⁵³

Treaty/Māori impacts

98. While the Bill proposes to simplify the content requirements for an ERP, it proposes to retain a requirement for the Minister to include in each ERP a strategy to mitigate the impact on iwi/Māori. The Bill also includes a requirement for the Minister of Climate Change to consider the impact on iwi/Māori before amending or replacing an existing ERP. This seeks to maintain consistency with the obligation under s 3A(ad) of the CCRA.
99. As outlined at [75], the Bill proposes a new power to amend a NAP. To give effect to Treaty of Waitangi obligations, the Bill proposes that before doing so, the Minister must first consider the impact on iwi/Māori.
100. I understand Crown Counsel have foreshadowed, in an earlier memorandum, that there is currently a review of legislation that contains references to Treaty/te Tiriti principles, including section 3A of the CCRA. This work is led by the Ministry of Justice. To the extent there are any

⁵³ See Appendices 5-9 of CAB-578 – Policy decisions for a Climate Change Response Amendment Bill. [MFE.011.0075], [MFE.011.0127], [MFE.011.0136], [MFE.011.0189], [MFE.011.0251], and [MFE.011.0279].

relevant changes in this respect, I understand updates will be provided through either counsel by memorandum or through my oral evidence.

Industrial allocation

Rationale for change

101. Industrial allocation is the system of providing free NZUs to emissions-intensive and trade-exposed firms, in order to reduce the risk of emissions leakage. It provides a declining level of assistance to these firms over time.
102. The Government has reviewed how it allocates industrial allocation to eligible firms, based on feedback that the current process may be discouraging companies from investing in technology that reduces emissions. Current settings allow for reviews of firms' emissions intensity and eligibility for industrial allocation. The uncertainty as to when these reviews may be undertaken, combined with the potential for a decrease in allocations is a material disincentive to substantial investment in reducing emissions intensity.
103. The Government committed to this review in the second ERP, published in December 2024. The Minister of Climate Change received initial advice from officials on options to amend the current provisions in March 2025.⁵⁴ A targeted engagement process was undertaken to further refine options. The Minister then received additional advice on recommended amendments to industrial allocation settings in July 2025.⁵⁵ This advice informed Cabinet decisions in September 2025, where it agreed to remove the legislative provisions in the CCRA that allow for allocative baselines reviews and eligibility reviews. The Government would retain the ability to consider firms' decarbonisation investments and appropriate industrial allocations during a phase-out rate review.
104. Phase-out rate reviews would be able to occur once in any five-year period, rather than being limited to the commencement of an emissions budget

⁵⁴ BRF-5757 – Proposed industrial allocation changes for the Climate Change Response Amendment Bill. [MFE.014.0261]

⁵⁵ BRF-6483 – Reducing disincentives to decarbonize caused by industrial allocation settings at recommendations a-c. [MFE.014.0355A]

period, as under current settings. Decarbonisation is also proposed to be added to the list of factors that must be considered before an increase in phase-out rates may occur.

105. Cabinet also agreed to clarify when the Minister of Climate Change can use the power to ‘call for’ copies of electricity contracts, to review the suitability of the general Electricity Allocation Factor in determining the amount of industrial allocation received by a company. The Minister would be required to publish guidelines on how this power will be used, and firms will be able to engage in a pre-clearance process that will provide a binding decision as to whether an electricity contract will be called for once it comes into force and what the resulting Electricity Contract Allocation Factor would be.⁵⁶

Targeted engagement on these changes was undertaken

106. Targeted engagement was undertaken with stakeholders to inform the development of the proposed changes.⁵⁷

Potential impacts of the proposed changes on Māori

107. The intent of the proposed changes is to encourage decarbonising investments by firms in high emitting industries and further support an enabling environment to reduce emissions. This ultimate goal aligns with the well-stated aspirations of Māori that emissions reductions are achieved.
108. The proposed changes were included in engagement with stakeholders representing Māori interests. Those that engaged noted they whilst they supported any changes to progress the reduction in the provision of industrial allocation, these proposals did not go far enough.

A broad review of the industrial allocation scheme was not in scope

109. The Government committed to reviewing industrial allocation settings, and particularly the provisions around reviewing allocative baselines, in its

⁵⁶ CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. [MFE.011.0070] and ECO-25-MIN-0151 – Climate Change Response Amendment Bill: Policy Decisions. [MFE.011.0072]

⁵⁷ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 6. [MFE.011.0075] and [MFE.011.0136]

second ERP. These changes are a result of that work and are limited to the specific scope of that commitment.

110. The proposed changes will not increase industrial allocation. Key provisions, including the legislated phase out of industrial allocation, remain. Changes focus on reducing uncertainty for companies by clarifying that, in most cases, industrial allocation will only be reviewed during phase-out reviews (which are strengthened under the proposal) and not through other mechanisms.

ETS biennial Auction Volumes and Price Control settings

Rationale for change

111. Auction volumes and price control settings (ETS Settings) are used to manage both the supply of NZUs and the stability of NZU prices in the NZ ETS. Auction volumes determine how many units the Government makes available to the market each year, which helps to ensure emissions budgets can be met and that the NZ ETS remains effective. Price control settings (e.g., the auction price floor, cost containment reserve (CCR) trigger prices, and CCR volumes) act as safeguards that prevent NZU prices from falling too low or rising too high. The Minister of Climate Change is required to update ETS Settings annually.
112. On 22 September 2025, Cabinet agreed in principle to transition from annual to biennial ETS Settings.⁵⁸ On 25 September, the Minister of Climate Change made further decisions related to technical changes required to implement biennial settings.⁵⁹ Targeted engagement was carried out with stakeholders following this decision, and the Minister of Climate Change made final policy decisions on 13 October 2025, confirming Cabinet's decision to implement biennial ETS Settings.⁶⁰
113. From 2027, the ETS Settings process is proposed to move from an annual

⁵⁸ CAB-25-MIN-0324 – Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025. [MFE.011.0070] and ECO-25-MIN-0151 – Climate Change Response Amendment Bill: Policy Decisions. [MFE.011.0072]

⁵⁹ BRF-6872 – Direction on legislative vehicle for changes to NZ ETS settings frequency and NDC accordance requirement. [MFE.014.0251A]

⁶⁰ BRF-6777 – Additional Advice on NZ ETS Settings Review Frequency. [MFE.014.0335]

cycle to a biennial cycle. 2026 will be the final standard year of annual ETS settings and will take place as scheduled, and 2027 will be the first year with no settings decisions taking place.

114. The change is intended to provide greater market stability by reducing the frequency of updates to auction unit limit volumes and price control settings, while also improving administrative efficiency.

Any assessment, reports, consultation undertaken

115. A small group of stakeholders were interviewed on the proposal to move to biennial settings. Targeted stakeholder engagement revealed broad support for moving to biennial settings but recognised trade-offs, particularly around decreased ability to incorporate updated market information and potentially making larger settings adjustments during review years than under annual settings.

116. Stakeholder engagement highlighted two key considerations for government to consider during the 2026 ETS Settings Decisions Process:

116.1 Government should provide more than five years of unit volumes and price control settings at each decision to provide long-term certainty.

116.2 Suggestion that Government should provide an interim Ministry-led data update during “off-years”, with special focus on stockpile and forestry projections to provide market with latest analysis to respond to emerging data trends.

Potential impacts of the proposed changes on Māori

117. While Māori have an interest in the NZ ETS, the change to biennial settings is not expected to impact Māori differently compared to other stakeholders with an interest in the ETS.

Market governance

118. Since 2015, there have been two independent reviews of market governance arrangements for the NZ ETS and five rounds of public

consultation. Targeted engagement took place in 2024, with Cabinet taking final policy decisions in March 2025.⁶¹ The Minister of Climate Change made further delegated decisions about platform reporting requirements in April⁶² and July 2025⁶³ and decisions about market governance penalties, in consultation with the Minister of Justice, in October 2025.⁶⁴

119. Cabinet agreed to improved market governance for the NZ ETS secondary market, where New Zealand Units (NZUs) are traded. These changes are aimed at improving market transparency and availability of trading information. They allow the Ministry for the Environment to monitor the market, set market conduct standards for all participants, enforced by the Financial Markets Authority (FMA), and introduce an associated penalty regime.
120. These changes will strengthen the transparency and integrity of the market, and bring New Zealand more in line with international carbon markets by introducing:
 - 120.1 requirements for trading platform providers to report price and volume information to the Government daily and to maintain a history of trading information;
 - 120.2 requirements for all market participants to record trading information in the Emissions Trading Register, which is a change that will be implemented once the functionality for the Register is developed;
 - 120.3 the Ministry for the Environment as the market monitor and enabling it to request information from market participants, and enabling relevant agencies to share information as necessary; and

⁶¹ CAB-25-MIN-0086.01 – NZ Emissions Trading Scheme Market Governance: Final Policy Decisions. **[MFE.011.0001]**

⁶² BRF-6137 – Emissions Trading Scheme Market Governance Platform Reporting Requirements. **[MFE.014.0107]**

⁶³ BRF-6470 – Amendments to market governance platform reporting requirements. **[MFE.010.0006A]**

⁶⁴ BRF-6768 – Penalties for breaches of NZ ETS market governance provisions at [53]. **[MFE.010.0011]**

- 120.4 the creation of new market conduct obligations enforced by the FMA, prohibiting price manipulation of NZUs and false, unsubstantiated and misleading conduct in relation to buying or selling NZUs.
121. An accompanying penalties regime will encourage compliance with these new rules, deter poor behaviour that could undermine the market's integrity, and align with penalties in other New Zealand financial and commercial legislation, including other penalties in the CCRA.
122. Various iterations of market governance proposals were consulted on in 2015, 2018, 2021, 2022 and most recently, from 17 September to 4 October 2024. The feedback from consultation was considered in developing the proposals agreed to by Cabinet.
123. The changes will improve data transparency and support informed trading decisions, which will support all market participants including Māori. Clear market conduct obligations will give market participants increased confidence and provide protections against misconduct occurring.

Removals

124. This amendment seeks to ensure the CCRA is as enabling as possible for a broad range of carbon removal activities to be recognised in the NZ ETS. The CCRA does not currently provide for the carbon removal activities that are being explored and expected to become available, such as peatland rewetting, enhanced rock weathering and forest management practices.⁶⁵ It proposes to establish the statutory provisions to do so by adding "carbon removal activities" as a new activity with respect to which a person may be eligible to opt in and be a participant in the NZ ETS.⁶⁶
125. The amendment would only create the beginning of a pathway and would not create NZ ETS participation entitlements. Further steps would be required, including activity-specific assessment through the Assessment

⁶⁵ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at [21]-[26]. [MFE.011.0075]

⁶⁶ BRF-6393 – Assessment Framework for Carbon Removals: Decisions briefing at [6]. [MFE.014.0288]

Framework for Carbon Removals⁶⁷ (including consideration of potential impacts on Māori), Cabinet decisions and the creation of an activity-specific regulatory framework. Activity-specific consultation and assessment would be undertaken via these steps.

Other technical ETS changes, including forestry

126. Other changes to improve the effectiveness of the NZ ETS will also be made through the amendment bill. This includes improvements to the administration of forestry in the NZ ETS:⁶⁸

126.1 increasing flexibility for NZ ETS participants to meet deadlines following a significant disruption such as a cyclone;

126.2 improving processes for foresters such as how quickly transmissions of interest notices are processed when ownership or land agreements for post-1989 forests change; and

126.3 amendments to some penalty provisions.

127. Cabinet has also agreed to include emissions from imported carbon dioxide in the NZ ETS and to make other minor and technical changes to improve the effectiveness of the NZ ETS.

ERP2 Amendment

128. As outlined at [33.2], in September 2025, Cabinet agreed not to progress an on-farm agricultural emissions pricing mechanism. In October 2025, Cabinet authorised the Minister of Climate Change, in consultation with the Minister of Agriculture, to undertake the statutory process to amend the second Emissions Reduction Plan (ERP2) to reflect this decision and maintain the currency of the plan.⁶⁹

⁶⁷ <https://environment.govt.nz/assets/publications/climate-change/Assessment-Framework-for-Carbon-Removals_final.pdf>

⁶⁸ CAB-578 – Policy decisions for a Climate Change Response Amendment Bill at Appendix 4 at 4 [MFE.011.0075] and [MFE.011.0120].

⁶⁹ ECO-25-MIN-0155 Progress Towards Second Emissions Budget and Government Response to Climate Change Commission's Emissions Monitoring Report at 9. [MFE.012.0213]

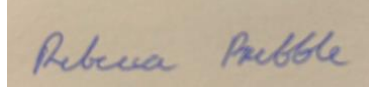
129. As the proposed amendment was more than minor or technical, the CCRA (section 5ZI) required the same process be followed as for preparing a plan, including being satisfied that the plan meets the relevant emissions budget, undertaking adequate consultation, and reconsidering relevant advice from the Climate Change Commission.
130. Public consultation took place over three weeks, from 5 to 26 November 2025, supported by a discussion document outlining the Government's revised approach to reducing agricultural emissions.⁷⁰ A total of 163 submissions were received, including from iwi/Māori. Feedback from iwi/Māori was also received through a hui offered to PSGEs and Yet-to-Settle Groups during the consultation period. The discussion document contained a specific section and consultation question on impacts to iwi/Māori.
131. The five iwi/Māori organisations that submitted were against the amendment and called for more support to address the impacts faced by land-owning Māori generally, and in relation to the costs of investing in technology. ERP2 continues to include a strategy to recognise and mitigate impacts on Māori, and MPI's initiatives to support Māori primary producers remain in place, both of which were better highlighted in the agriculture chapter of ERP2 through the amendment.
132. The Minister of Climate Change subsequently received advice providing analysis of the requirements in the CCRA for amending an ERP and agreed to formally amend ERP2, in consultation with the Minister of Agriculture.⁷¹
133. The revised ERP2 amendment was approved for publication and, in accordance with statutory requirements, was made publicly available, notified in the Gazette, and presented to the House of Representatives.

⁷⁰ <<https://consult.environment.govt.nz/climate/amendment-to-second-emissions-reduction-plan/>>

⁷¹ 25-BRF-00059 Supporting analysis and advice for decisions on amending the second emissions reduction plan. [MFE.015.0478]

The amended ERP2 was published on 29 January 2026 via the Ministry for the Environment website.⁷²

Signed:



Rebecca Jane Prebble

Date: 18/02/2026

⁷² <<https://environment.govt.nz/publications/new-zealands-second-emissions-reduction-plan/>> and
<<https://environment.govt.nz/publications/new-zealands-second-emissions-reduction-plan-202630-january-2026-amendment-addendum/>>