

Submission from New Zealand Minerals Council to the Ministry for Cities, Environment, Regions and Transport

Updates to New Zealand Emissions Trading Scheme

July 2026

Introduction

1. New Zealand Minerals Council is the industry association representing the New Zealand minerals and mining sector (including coal). Our membership is comprised of mining companies, explorers, researchers, service providers, and support companies.
2. We welcome the opportunity to make this brief submission on the Government's proposals for the Emissions Trading Scheme (ETS) as set out in the consultation document [Annual Updates to New Zealand Emissions Trading Scheme Limits and Price Control Settings for Units 2026](#) (the document).

General comments

New Zealand Minerals Council position on emissions reduction

3. Climate change is a global, not a local, phenomenon. We support global action to reduce carbon emissions and we support New Zealand's goal of achieving net zero emissions by 2050. New Zealand needs to play its part in global commitments.
4. In reducing New Zealand's emissions, it is essential that policies do not lead directly to increased global emissions through New Zealand producers closing down and/or shifting offshore (carbon leakage). Integral to this is that we maintain the international competitiveness of the energy intensive sectors of our economy.

The New Zealand Emissions Trading Scheme

5. We believe that the New Zealand Emissions Trading Scheme (NZ ETS) is the least cost method to meet New Zealand's international climate commitments and net-zero goal.
6. However, the use of complementary policies which distort market signals and discriminate against sectors of the economy, applied concurrently with the NZ ETS, are counterproductive and should be avoided. Examples of these include the Government Investment in Decarbonising Industry (GIDI) Fund, which has been discontinued, and the National Policy Statement for Greenhouse Gas Emissions which is intended to phase out coal boilers used for industrial process heat.
7. It should be noted that, according to the World Bank's State and Trends of Carbon Pricing 2026, the average price provided by ETS schemes and carbon taxes internationally was US\$21.00 compared with New Zealand's current price of around NZ\$53.00 (US\$30.00). While international prices are increasing (they have nearly doubled over the past decade) this gap must not be allowed to widen if the international competitiveness of New Zealand producers is to be maintained.

Submission

8. We make the following comments on the annual review settings for the New Zealand ETS as proposed in the document.

Proposed changes to unit limits

9. The consultation document outlines three options for New Zealand ETS auction volumes over the 2027-2031 period.
10. Of the three options provided, we support Option 2, 13.0 million units to be auctioned across 2027-2031.
11. We consider this option provides appropriate balance between ensuring New Zealand meets its emissions budgets while preserving the ability of emissions intensive businesses to operate in New Zealand.
12. We do not support reducing the currently prescribed second emissions budget (EB2) volumes as this would increase the risk of a rapid tightening of supply as we head into EB3.
13. It would result in the risk of unnecessary price volatility and price increases at a rate that would not give emissions intensive businesses time to adjust to new price signals. There is a risk that such an outcome would contribute to further deindustrialisation rather than investment in emissions reduction.

Proposed changes to price control settings

14. The consultation document considers changes to auction price control settings.
15. We support retaining the existing auction price floor and Cost Containment Reserve (CCR) trigger prices, other than routine inflation adjustments.
16. We agree the current price control settings are consistent with the range of emissions prices we will likely need to meet New Zealand's domestic emissions reduction targets and so increases are not necessary. They should not be increased.

Biennial setting decisions

17. The ETS settings are required to be reviewed annually. There have now been six updates since the core limit and price control regulations were introduced.
18. Significant changes to settings on a frequent basis create uncertainty which impacts confidence in the market and participants investing in the scheme. Stable and predictable ETS settings are needed for the scheme to work efficiently.
19. We support the move from annual to biennial ETS setting reviews.
20. The ETS should not be managed through continual adjustments. Participants must be allowed to respond to the settings that have been established, rather than constantly assessing new conditions.
21. Annual reconsideration of auction volumes and price controls create a recurring source of uncertainty, even when the eventual changes may be minor.
22. A two-year decision cycle allows for investment decisions to be made with greater confidence. While it may also reduce flexibility, amendments can still be made if there are exceptional circumstances.

Summary of recommendations

- Of the options for auction volumes, we support Option 2, 13.0 million units to be auctioned across 2027-2031.
- We support retaining the current auction price floor and CCR trigger prices, other than routine inflation adjustments.
- We support the move from annual to biennial ETS setting reviews.