

29th June 2025

By email to: ETSconsultation@mfe.govt.nz

Thank you for the opportunity to feedback on the

- annual updates to the ETS limits and price control settings for units for 2025
- proposed changes to the Emissions Trading Scheme Regulations 2025ETS settings

Who we are

The New Zealand Green Building Council was created by the property and construction sector to help improve the health and efficiency of New Zealand's buildings. Our members include construction firms, architects, building owners, energy companies, engineers, banks, product suppliers, government departments, local authorities and many others.

We're passionate advocates representing over 700 members who believe that better buildings can deliver a country that has lower running costs for families and businesses, greater resilience in our energy system and less climate pollution.

To aid the sector in its green transformation, we develop and administer several sustainability rating tools that can be used by planners, builders, owners, and operators to identify opportunities to reduce waste, energy use, and emissions. Our team and the networks that support them have extensive knowledge on reducing the environmental impact of buildings and property.

NZGBC develops and operates the New Zealand specific Green Star, Homestar and HomeFit rating systems on behalf of the sector. They also administers the NABERSNZ energy use rating system on behalf of central Government.

A) Annual updates to the ETS limits and price control settings for units for 2025

1. What do you think are the key drivers behind recent market price dynamics?

It is important to factor in changes that have occurred. Such as the high reforestation and the NZ Steel deal, which will reduce emissions by 5Mt each budget period.

The ETS needs amending to take account of these changes.

2. How do you think recent price developments should factor into the Government's thinking about unit settings and price controls?

Auctions are failing. The long standing problems with the ETS remain including the very large free "industrial allocations", that massive stockpiles were built up years ago and that of unlimited forestry.

The market is saying that there is too much supply.

6. Do you think the stockpile will pose a risk to achieving the third emissions budget in the way described here?

Yes

9. Which is your preferred option?

Option 1

10. Do you prefer another option not outlined here? Please describe what it would involve.

The ETS is not functioning properly. This is clear. Auctions are failing. The secondary market price is very low. There is a general lack of action in reducing emissions.

There is also concern that the ERP2 as written will deliver far less actual reductions than was initially envisaged.

Our advice would be to reduce the volumes further.

13. Do you have any feedback on the proposal to align the NZ ETS cap for EB2 with ERP2 projections? Do you have any suggestions for a more appropriate method for determining the NZ ETS cap for EB2?

Get the CCC to properly consider the impact of the final ERP2. If we take one example, buildings and construction are 20% of NZs emissions. The built environment chapter includes not one policy that will make a tangible difference in NZs emissions.

It is important to have the clarity of the emissions reduction impact from the actual ERP2 and to also factor in recent decisions by Government on emissions. This is likely to provide clear information on how hard the ETS needs to go to get NZ back on track.

18. How should unsold units be treated

They should be cancelled and not reallocated to future years.

B) Proposed changes to the Emissions Trading Scheme Regulations 2025

1. Amend reporting requirements for destroyed landfill gas

I support option 1 - to provide regulations to require NZ ETS participants to provide information on quantity of landfill gas collected and conveyed to destruction equipment.

There is incomplete information. These are important impacts. Let's get the systems in place to get better information.

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

We agree with Option 1 to clarify in regulations when to use the oxidation factor in emissions calculations.

5. Including carbon dioxide sold by natural gas mining

We agree that regulations should be changed to include CO2 sold from natural gas processing.

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

We agree with the proposal to update the Infringement Regulations. The EPA should be able to issue fines/fees for participants that don't comply with obligations.

8 Regulations to change the way that rollover NZUs are treated at subsequent NZ ETS auctions in the calendar year.

We rank these options as follows; Option 1, option 2 and then no change.

9 Other changes that should be considered? What other factors should we consider when looking at possible changes to the provisions?

Government has taken a huge number of steps to reduce climate action.

- In industry the GIDI fund was cancelled
- In construction and property
 - o Building for Climate Change programme was cancelled
 - o Government has ceased building to lower carbon standards in housing
 - o Government has proposed ceasing to building to lower carbon standards in housing
 - o Support for hot water heat pumps were cancelled
- In transport
 - o cycling and walking initiatives were cancelled.
 - o support for EVs was cancelled
 - o road user charges have been increased for EVs
 - o funding for EV chargers is not forthcoming
- Agriculture joining the ETS has been delayed another 5 years
- EECA had it's funding cut by 38% in the 2024 budget. It was cut again in the 2025 budget by an additional 30%.

They have taken other steps to increase emissions such as massive roadbuilding programmes. This sends a strong signal to the market that climate action is not important.

If the ETS is to be the only policy used to drive change it needs to be effective.

The long standing problems with the ETS remain including the very large free "industrial allocations", that massive stockpiles were built up years ago and that of unlimited forestry.

If unsold units are added back in, that suppresses the price. Better to remove unsold units immediately at each failed auction. Don't allow them back in.

Thank you

I hope this feedback is useful. Thank you for the opportunity to feedback.

We look forward to seeing the changes taking effect.

Nga mihi nui,

Andrew Eagles CEO, NZGBC

