Minerals West Coast submission on Ministry for Cities, Environment, Regions and Transport. on "Proposed Changes to the New Zealand Emissions Trading Scheme Regulations 2026"

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INTRODUCTION TO MINERALS WEST COAST

Minerals West Coast is an industry organisation representing the shared and collective interests of people and businesses operating in the minerals sector of the West Coast region.

Our membership is diverse, spanning individuals engaged in part-time or fulltime minerals exploration and mining operations and associated services, through to small and medium-sized, family-owned enterprises, all the way to large companies with international shareholdings.

Explorers and miners on the West Coast produce, or seek to produce a variety of minerals via a range of methods. This includes gold from alluvial and hard rock deposits, sub-bituminous coal as a source of energy for food production and space heating, bituminous coal for steelmaking, aggregates and gravels for roading and construction, limestone for fertiliser, pounamu (often as a by-product of gold mining), and mineral sands producing industrial minerals and rare earth elements.

INTRODUCTION TO THIS SUBMISSION

Minerals West Coast has long held an interest in New Zealand's climate change policy, on what is among the defining issues of present times. We welcome the opportunity to participate in this Ministry for the Environment public consultation on New Zealand Emissions Trading Scheme settings.

EXECUTIVE SUMMARY

The government proposes to maintain existing auction settings under the New Zealand Emissions Trading Scheme (ETS), in the hope that New Zealand can meet its Paris Agreement (2015) commitments, i.e. net zero carbon by 2050.

This submission addresses question 20 of the consultation document, which provides for general feedback on the ETS scheme.

Minerals West Coast is concerned that the ETS is out of step with global climate change mitigation action, or the lack of it, while government policy settings pose risks to the national economy:

- New Zealand's carbon price is five times that of the global average, and, by itself, is nothing more than a tax on economic activity
- Contrary to the government's claim, the ETS is not the main policy tool for reducing emissions - economy-distorting subsidies and prohibitions have been
- New Zealand ranks 26th of 37 OECD countries on productivity, which should be a cause for concern, and a call for action to safeguard our economy and society
- National energy self-sufficiency reduced from 90% to 73% over the last 25 years, also a cause for concern, and a call for action
- New Zealand ranks 6th in the world for renewable primary energy – it is time for our government to publish widely this world-leading position
- New Zealand publishes emissions budgets and emissions reduction plans – that's all they are; there is no guarantee New Zealand can meet net zero carbon by 2050
- New Zealand urgently needs smart climate change and energy policy, and this will require political will and leadership, and action.

RECOMMENDATIONS

Minerals West Coast recommends the government to:

1. Replace the ETS auction scheme with the previous fixed-price option, one which is indexed to a weighted average unit price of our ten largest trading partners
2. Enable domestic coal production, as part of "optionality" in energy policy
3. Remove the prohibition on low to medium-temperature coal-fired boilers applying for resource consent, or replaying for consent, from 2037
4. Amend the net zero carbon by 2050 goal, so that it continues to be binding, if and only if New Zealand can access international carbon markets

PROBLEM DEFINITION

Comparing international and NZ carbon prices

The World Bank Group's State and trends of carbon pricing 2026 report covers global carbon pricing in 2025.

Between 2015 and 2025 the global average carbon price - where carbon pricing exists - increased from USD10 per tonne of CO2 equivalent, to USD21/tCO2e.

The report also says that carbon pricing directly covered 29% of total global GHG emissions in 2025. This means a global average carbon price of USD6/tCO2e, or a New Zealand Unit price of **NZD10.40**.

Compare that with the NZU spot price on the secondary market (as at 12 July 2026) of **NZD53.75**.

The NZU spot price is 5 x the global average carbon price.

Why is New Zealand so out of step with the global average carbon price? We call it the Sir Edmund Hillary complex. New Zealand always has to "punch above our weight". The reality is that no one cares, and no one is listening.

Former climate change minister James Shaw said repeatedly that New Zealand can be a world leader on climate change mitigation – until he spoke to an almost empty room at COP 26 in Glasgow, Scotland, in 2021.

Misrepresentation of the ETS

The Ministry for the Environment webpage states:

> "The ETS is the Government's main policy tool for reducing emissions by influencing long-term investment by businesses and industries in low emissions technology. This means ETS policy settings are key to a stable and predictable ETS, and settings updates help ensure alignment to our domestic emissions reduction targets."

The above text is wishful thinking. In practice, the main policy levers for GHG emissions reductions have been:

> **public subsidisation** of private sector investments. In other words, the government has forced emissions reductions where this is otherwise not economically viable (regardless of the carbon price), and the risk is of economic inefficiency.
>
> **prohibition** of low to medium-temperature coal-fired boilers from applying or reapplying for resource consent beyond 2037 – risking the closure of multiple businesses and "carbon leakage" (unless energy conversion is subsidised).

These policies amount to distortion of the economy, i.e. a suboptimal allocation of energy inputs into New Zealand's economic productivity, which has long been poor, according to a 2023 Productivity Commission report.

New Zealand ranks 26th out of 37 OECD countries for productivity.

Reducing energy self-sufficiency

While previous governments have subsidised the likes of Fonterra and New Zealand Steel to reduce their dependence on fossil fuels, and closed the Marsden Point refinery, New Zealand's energy self-sufficiency has been steadily reducing (refer to Ministry of Business, Innovation and Employment statistics).

The ongoing fuel crisis occasioned by US and Israeli hostilities in Iran has brought New Zealand's energy vulnerability to a head.

NZ's energy self-sufficiency reduced from 90% in 1990 to 73% in 2025.

The present government has been exploring ways of strengthening New Zealand's energy self-sufficiency and supply chain risk, including: waste wood biomass, super-critical geothermal energy, and facilitating imports of LNG. In our view, all of these solutions carry risks.

A Scion report to the government in late 2024 on biomass availability in New Zealand is flawed. It confuses tonnes with cubic metres of waste wood in places, and fails to account for the loss of mass that occurs when waste wood loses moisture on drying.

Our analysis (Rob Boyd) shows that woody biomass could provide in the future energy to replace 29% of coal demand a year in the South Island, which is currently around 800,000 tonnes. This is, therefore, a partial option, and highlights an ongoing need for domestic coal production.

New Zealand's energy policy is lacking in "optionality" (Enerlytica) to optimise the energy trilemma of affordability, reliability, and environmental sustainability (World Energy Council).

Misplaced concern over climate change performance

At successive Conferences of the Parties to the UNFCCC (COPs), climate change activists have accused New Zealand of failing to take enough action on climate change mitigation.

New Zealand has inherently high emissions per capita principally because of:

- high percentage contribution of agriculture to the economy (mostly methane emissions), much of which is exported to help feed the world
- sparsely populated, long and thin country, occasioning high transport emissions
- first world economy

Successive New Zealand governments, regardless of political orientation, have expressed concern that overseas customers for goods and services may decide to not purchase from New Zealand because of perceptions of the country's poor performance on climate change mitigation.

The fact is that New Zealand is a world leader when it comes to energy-related GHG emissions, thanks mainly to plentiful hydro- and geothermal electricity, after Iceland, Norway, Sweden, Brazil, and Austria (Our World in Data).

New Zealand ranks 6th in the world for renewable primary energy.

Unachievable policy

The MfE website says:

> The Government proposes keeping settings largely as they are. This continues a stable and predictable approach while ensuring New Zealand is well positioned to meet its emissions budgets and targets now and in the long term.

It is unclear how maintaining auction settings will help meet "emissions budgets", which are an abstract. They are a way of envisaging what New Zealand must do over time to meet a legislated goal of net-zero GHG emissions by 2050. This does not mean that we will achieve these emissions budgets, regardless of policy settings.

To press the point, the "emissions budgets" policy approach is an illusion. Successive governments use it to try to convince Paris Agreement signatories, and the New Zealand public, that New Zealand will meet its international climate change commitments. In truth, there is no guarantee that we will do so.

On signing the Paris Agreement, it was always envisaged the New Zealand would access international carbon markets to meet our commitments. There are none. This is not surprising, because each market is different as to which sectors receive special treatment in carbon pricing. Markets were going to be a major policy lever for New Zealand's emissions reductions – they were supposed to exist by 2020 - and they do not exist.

What successive governments have done is subsidise certain sectors of the economy to convert to lower-emissions energy sources, and place prohibitions on other activities, in the hope that New Zealand meets its climate change commitments, and that the economy continues to function. This is a reckless approach to energy, climate change and economic policy.

TOWARDS SMART CLIMATE CHANGE MITIGATION POLICY

New Zealand is a signatory to the Paris Agreement 2015, and has made commitments to reducing GHG emissions, as have other nations.

What matters for global climate is the totality of actions the global community takes. New Zealand is one of many participants in this undertaking. This is the key point – New Zealand is one country of many, and a very small player.

For New Zealand to aspire to be a world leader on climate change mitigation – as the previous government did – is eccentric. We are a bit player, and national policy should reflect that.

Minerals West Coast proposes the following reframing of climate change mitigation policy, and it partly reflects the approach of previous National-led governments:

Goal

New Zealand to do our fair share in global climate change mitigation.

Objectives / outcomes

- Remove barriers to New Zealand's export industries to achieve the government's goal of doubling exports over the next decade.
- Increase New Zealand's energy self-sufficiency to help enable the above.

- Ensure climate change mitigation policy avoids “carbon leakage” to help enable the above.
- Tell the world New Zealand is a world leader in respect of energy-related GHG emissions.
- Align New Zealand policy on climate change mitigation to global average practice.

Policy approach

New Zealand should be a “fast follower” in climate change mitigation, as Hon Dr Nick Smith argued in 2009 when he was climate change minister in a National-led government.

One approach would be for New Zealand to index carbon pricing to the average of that of our country’s major trading partners, as the ACT Party has previously suggested. That would ensure we are part of global efforts without exposing sectors of our economy to carbon leakage.

This is challenging to achieve via an auctioning scheme and an ETS. Previous Labour and Labour-led governments thought to force emissions reductions via high NZU prices. Scant recognition was given to what other countries around the world are doing, or not doing, as regards carbon prices. The solution was subsidisation of energy conversion investments by businesses such as Fonterra and New Zealand Steel.

This was low-hanging fruit, and New Zealand will soon run out of options. A bolder solution is needed – in contrast to merely keeping current settings, and hoping everything will turn out alright.

We propose replacing the auctioning scheme with the earlier fixed-price option, and to set the FPO at the average unit price of our top ten trading partners.

We also propose introducing “optionality” into New Zealand’s energy policy, as energy analysts Enerlytica have advocated. This means changing policy settings to enable coal production in New Zealand to meet New Zealand’s needs, e.g. to confront the current global energy crisis, and to avoid the unnecessary closure of businesses that use coal.

To rebut repeated accusations by activists that New Zealand is dragging the chain on climate change mitigation, the government can simply say that New Zealand is among world leaders on energy-related CO2 emissions.