1 July 2026

Hon Simon Watts
Minister of Climate Change

Meeting with Energy Resources Aotearoa

Attendees: John Carnegie – Chief Executive
James Caldwell – Policy Director, Upstream & Environment

Key messages

- ***we support the proposed settings for the NZETS*** *to maintain scheme stability and predictability*
- *we are* ***pleased with the decision to continue with the development of a CCS regime*** *and generally support it, but have some concerns about the design*
- *we have a* ***proposal for you to consider regarding broadening the scope of the CCS legislation*** *to enable other reuses of depleted oil and gas reservoirs such as for geoheat*
- ***the NZ Taxonomy Energy should reflect the role for natural gas in security of supply*** *but it is currently only represented in 'guidance'*

Appendix

Emissions Trading Scheme (ETS) proposals

1. We support the Government's proposals to maintain stable and predictable ETS settings. Frequent changes to policy settings risk undermining investment in decarbonisation and prompting a return of complementary measures. Previous experience has demonstrated how quickly this dynamic can emerge and how destructive it can be for the whole energy system.

2. The ETS needs to be constant and reliable for investors to include in their investment allocations. A steady increase in the price of carbon might be expected, but the market cannot function effectively when unpredictable policy settings create the kind of volatility seen with the previous policies.

LNG

3. We support the Government's decision to progress with the importation of LNG as a practical step to strengthen New Zealand's energy security. The alternative without LNG would be unfettered peak electricity prices in a dry year, damaging the viability of our energy-intensive industries with more closures and job losses and even higher household bills.

4. We note that any emissions resulting from LNG (as with a new domestic gas find) would be covered by the ETS and subject to a carbon price. We are not concerned as to whether there will be a net increase in emissions because of the waterbed effect. Any increase of emissions under the scheme's cap must, by definition, be offset by reductions found in other areas covered by the ETS (driven by greater demand lifting the carbon price and encouraging the next tranche of economic abatement).

Carbon Capture & Storage (CCS) regime

5. We are pleased with the Government's decision, consistent with our advice, to not only progress the development of a CCS regime but to do so under bespoke legislation. We look forward to working with you and your officials on this regime to reach a positive outcome in your next term.

6. Our goal is to ensure that the approach taken is workable and provides the right incentives for future CCS operators, particularly in the petroleum sector. In seeking this, we have stressed the need to limit any new impost on possible operators and to only make the changes that are absolutely necessary to unlock the potential from CCS.

7. We wrote to you on 15 April 2026 offering our general support for the approach being taken and providing feedback on the current proposals. We have some

remaining issues, particularly in relation to liabilities and financial guarantees which, if not addressed appropriately, could be 'showstoppers' for the viability of future CCS projects. We would welcome the opportunity to discuss these with you.

8. We also have a new proposal to broaden the scope of the CCS legislation to enable other reuses of depleted petroleum reservoirs, such as for geoheat. We are relatively sure that these alternate uses would also require legislative change, particularly to the Crown Minerals Act 1991 and the decommissioning obligations on field operators before reuse could take place.

9. With that in mind, we are mindful of the geoheat project started by Ara Ake. The project is well advanced, important for the region and could result in huge savings if the geoheat can be harnessed for commercial purposes (e.g., in greenhouses) and for use in public buildings (e.g., the aquatic centre and hospital).

NZ Taxonomy Energy

10. The consultation on the NZ Taxonomy Energy ('the Taxonomy') criteria does not classify gas use or gas-fired firming generation as taxonomy-aligned activities. Instead, the draft includes separate guidance acknowledging that gas-fired generation may continue to play a role in maintaining security of supply within a 'credibly transitioning portfolio'.[1]

11. The criteria recognise the need for gas in the electricity system (and for industry, we would hope) but does not provide a pathway for capital invested in that gas infrastructure to receive taxonomy-aligned status. This was achieved by the EU, which classified natural gas as green energy.

12. More broadly, the Taxonomy does not appear to reflect the Government's view on thermal fuels like natural gas or their criticality to the energy system. This will likely make financing firming assets more difficult, even where policymakers and system planners consider them necessary for security of supply.

[1] What this means is open to interpretation.