International Carbon Action Partnership

New Zealand Emissions Trading Scheme

General Information

ETS Description

The New Zealand Emissions Trading Scheme (NZ ETS) was launched in 2008 and is a central climate change mitigation policy for the country. It covers roughly half of New Zealand's GHG emissions. The "Climate Change Response Act 2002" sets the legislative framework for the NZ ETS and incorporates all of New Zealand's key climate legislation under one Act.

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The NZ ETS has broad sectoral coverage, including forestry, stationary energy, industrial processing, liquid fossil fuels, waste, and synthetic GHGs. Allocation is based primarily on auctioning, which began in March 2021. Free allocation is only granted for emissions-intensive, trade-exposed (EITE) activities and depends on a combination of emissions intensity benchmarks, production levels, and international trade exposure. Uniquely to the NZ ETS, the forestry sector has both surrender obligations and the opportunity to earn units for emissions removals.

The agricultural sector used to face processor-level reporting obligations with the prospect of compliance obligations under the NZ ETS, but this is no longer the case.

ETS Status

in force

Jurisdictions

New Zealand

Year in Review

In 2025, the government made 6 million units available for auction across four quarterly sales, down from 14.1 million units in 2024. However, all four auctions failed to clear as secondary market prices remained below the floor price of NZD 68 (USD 39.52). In line with NZ ETS auctioning regulations, all 6 million units that remained unsold after the December 2025 auction, as well as 7.1 million units held in the Cost Containment Reserve (CCR) for 2025, were permanently withdrawn from the market.

In August 2025, the government announced the annual unit supply settings for the five-year period 2026 to 2030, maintaining a tight supply trajectory through 2030. Base auction volumes, excluding CCR, will decline from 5.2 million units in 2026 to 1.7 million units in 2030. The overall limit on units, or cap, comprising all units from auctioning and industrial allocation, will decline from 16.3 million in

2026 to 9.6 million in 2030.

The 2026 auction reserve price floor is NZD 71 (USD 41.27), and the first CCR trigger price is NZD 201 (USD 116.83).

In September 2025, the government took steps to prevent productive agricultural land from being converted into exotic forestry plantations due to the NZ ETS. Parliament passed the "Climate Change Response (Emissions Trading Scheme Forestry Conversions) Amendment Bill", restricting new ETS registrations for plantation forests on high and medium productivity land, while allowing registrations on low-productivity land.

In November 2025, the government announced amendments to the Climate Change Response Act 2002 aimed at reducing costs and improving the efficiency of NZ ETS governance. Most significantly, the government has removed the requirement for NZ ETS unit supply settings to accord with the country's NDC, while retaining the requirement for these settings to align with New Zealand's domestically legislated 'Net Zero by 2050' targets and associated emissions budgets. The changes also streamline climate governance by reducing the Climate Change Commission's role in providing advice on emissions reduction plans and by making public consultation on emissions budgets discretionary rather than mandatory. Additional changes include moving to biennial (instead of annual) ETS supply settings updates. While some changes were passed under urgency at the end of 2025, the full legislative changes will be introduced to Parliament in 2026.

Sectoral coverage

Fuel use in agriculture and/or forestry
Forestry
Maritime
Mining and extractives
Waste
Domestic Aviation
Transport
Buildings
Industry
Power

Revenue usage

General budget, including debt reduction

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO2e)

76.4 tCO2e (2023)

GHG reduction targets

By 2030: 50% reduction of net emissions below gross 2005 levels (NDC); 10% reduction of biogenic methane emissions below 2017 levels (Climate Change Response Act 2002, through an amendment in 2019)

By 2035: : 51-55% reduction of net emissions below gross 2005 levels (NDC 2.0)

By 2050: Reduce net emissions of all GHGs (except biogenic methane) to zero; reduce biogenic methane emissions to 14-24% below 2017 levels (Climate Change Response Act 2002, through an amendment in December 2025)

Current Allowance Price (per t/CO2e)

Average auction price: No auctions cleared in 2025

Average secondary market price: NZD 55.04 (USD 31.99)

Updated prices available here

Size & Phases

Covered emissions (2023)

44.00%

Verified ETS Emissions

33.30MtCO_2e

GHGs covered

CO2, CH4, N2O, SF6, HFCs, PFCs

Cap or total emissions limit

The NZ ETS has an absolute cap that is set in advance. It limits the number of New Zealand Units (NZUs) that may be released to the market from auctioning (including the CCR), industrial allocation, and from any international units (not currently allowed). There is no limit on NZUs generated from removal activities. The NZ ETS cap thus limits the volume of net emissions that are emitted by ETS regulated entities, without imposing a limit on gross emissions within the ETS.

In 2026, the cap is 16.3 Mt CO_2e.

The Climate Change Response Act 2002 requires the government to set a cap on emissions covered by the NZ ETS, based on five-yearly emissions budgets and in line with New Zealand's 2050 targets. Unit supply settings are announced over a rolling five-year period with annual updates. To provide a degree of regulatory certainty, settings for the upcoming two years can only be amended under special circumstances.

The government updated regulations for unit supply settings in September 2025, setting the annual cap for the years 2026 to 2030. In setting supply limits, the government also considers the stockpile of banked allowances already in circulation and projected unit supply from removal activities.

NZUs generated from removal activities are forecast to be 17 million units in 2026, of which 15 million would come from the forestry sector.

The NZ ETS was originally designed to operate without a specific domestic cap, as this accommodated carbon sequestration from forestry activities and a full link to the international Kyoto Protocol carbon markets. However, in 2015, the types of units eligible for compliance in the NZ ETS were restricted to NZUs. No decisions have been made on potential future access to and use of international units.

Sectors and thresholds

SECTORS: Sectors were gradually phased in between 2008 and 2013.

- Forestry (mandatory: deforesting pre-1990 forest land; voluntary: post-1989 forest land)
- Stationary energy
- Industrial processing
- Liquid fossil fuels
- Waste
- Synthetic GHGs

From 2011 until November 2024, companies carrying out certain agricultural activities had an obligation to report their emissions at the processor level, with farm-level reporting set to begin in 2026. Agricultural emissions were intended to enter the NZ ETS at the processor level in 2025, with pathways for farm-level participation at a later date. However, this legislation was repealed in 2024, removing agriculture activities from the NZ ETS.

TYPES OF FUEL COVERED: petrol, diesel, aviation gasoline, jet kerosene, light fuel oil, heavy fuel oil. Emissions from fuel used for international aviation and marine transport are exempt.

INCLUSION THRESHOLDS: Thresholds for participation are typically low (Detailed threshold information can be found in Schedule 3 of the Climate Change Response Act 2002 and in the Climate Change (General Exemptions) Order 2009).

- Forestry (as per definition of 'forest cover')
  - mandatory: deforesting pre-1990 forest land (at least 1 hectare)
  - voluntary: post-1989 forest land (at least 1 hectare)
- Stationary energy
  - Mining or stockpiling at least 2,000 tonnes of coal per year or importing any amount of coal for combustion.
  - Using geothermal fluid to generate electricity or for industrial heat (emitting more than 4,000 tCO_2e per year).
  - Combusting more than 1,500 tonnes of used/waste oil per year, or combusting waste tyres (no threshold)
  - Extracting natural gas (no threshold).
- Industrial processing
  - Producing iron and steel (more than 100 tonnes of process carbon added per year)
  - Producing gold (emitting more than 5000 tCO_2e per year)
  - Producing cement inputs, aluminium, or glass (no thresholds)
- Liquid fossil fuels
  - Owning more than 50,000 liters of any obligation fuel (petrol, diesel, aviation gasoline, jet kerosene, light fuel oil, and heavy fuel oil)
- Waste
  - Operating a disposal facility (exemptions only for small remote landfills)
- Synthetic GHGs
  - Importing hydrofluorocarbons (HFCs) or perfluorocarbons (PFCs) in bulk (no threshold).
  - Operating electrical switchgear that contains at least 1 tonne of sulphur hexafluoride (SF_6).

Synthetic GHGs not covered by the NZ ETS (e.g., those embedded in imported products) are subject to an equivalent levy

Point of regulation

Upstream (power, aviation, buildings, transport, maritime, fuel use in agriculture and/or forestry); point source (mining and extractives, industry, waste, forestry).

For all fossil fuels, the point of obligation is generally upstream. Some large businesses that purchase fossil fuels directly from mandatory NZ ETS participants can choose to opt into the NZ ETS rather than have the costs passed down from their suppliers.

Type of entities

Companies, private individuals, and local government entities

Number of entities

As of December 2025, 5,417 entities were registered as participants in the NZ ETS for 6,037 different activities* of which:

- 178 entities have mandatory reporting and surrender obligations for 185 activities
- 5,283 entities have voluntary (opt-in) reporting and surrender obligations for 5,852 activities – 99% of these being post-1989 forestry removal activities.

*Some entities have obligations under multiple activities.

Allowance Allocation & Revenue

Allowance allocation

Proportion of allowances offered at auction in 2025: 31%

6 million units were made available at auction in 2025 (excluding units from the CCR) although none were sold.

FREE ALLOCATION:
Leakage protection/Industrial free allocation: Free allocation is provided to firms in 26 eligible industrial activities, based on emissions intensity benchmarks, production levels, and one of two rates of assistance. Activities are deemed eligible if two EITE criteria are met. For 2025, highly emissions-intensive activities (over 1,600 tCO_2e per NZD 1 million [USD 581,250] of revenue) receive 85% free allocation, while moderately emissions-intensive activities (over 800 tCO_2e per NZD 1 million [USD 581,250] of revenue) receive 55% free allocation. An activity is deemed to be trade-exposed if there is transoceanic trade in the good produced.

In 2024, 5 million NZUs were allocated for industrial EITE activities.

Industrial free allocation is being phased down. A minimum annual phase-down rate of 1% across all industrial activities applies from 2021 to 2030. That rate will increase to 2% for the years 2031 to 2040, and to 3% for 2041 to 2050. The phase-down rate can be increased for activities that are considered at lower risk of carbon leakage alongside other criteria as set in legislation. It can also be decreased after 2030 if carbon leakage risk remains. All adjustments first require recommendations from the independent Climate Change Commission.

AUCTIONING:
Auctioning was introduced in 2021. The volume of NZUs made available for auctioning is set on an annual basis, five years in advance (see ‘Cap’ section). The annual quantity is split between the quarterly auctions. In 2025, 6 million allowances were made available for auctioning, plus an additional 7.1 million allowances in the CCR. No NZUs were sold in 2025.

Auctions follow a sealed-bid, single-round format. The clearing price is set at the lowest successful bid and NZUs are sold to all successful bidders at this price, providing it is not below the confidential reserve price (see ‘Market Stability Provisions’ section). If the auction does not clear, all allowances on offer are rolled forward to the next auction within the same calendar year. Any units that remain unsold after the last auction of the year are permanently withdrawn from the market.

ALLOWANCES GRANTED FOR REMOVALS:
Post-1989 forestry sector and other removal activities: NZUs are granted to participants that voluntarily register in the scheme for removal activities.

Forestry removal activities: Participants are entitled to receive one NZU per tCO_2 removed for registered post-1989 forest land. If the forest is harvested or the land is permanently deforested, units must be surrendered to account for the emissions. If the participant chooses to deregister from the scheme, NZUs equivalent to the number received must be returned. 11.5 million NZUs were issued for forest removal activities in 2024.

Other removal activities: 1.4 million allowances were granted in 2024 for other removal activities, such as destroying synthetic GHGs or producing and exporting a product with embedded GHGs, such as methanol.

In 2019, forest carbon accounting shifted from the short term “stock change” to the long term “averaging” method for post-1989 forests, which then became compulsory for new entrants since 2023. Under the new method, allowances are granted only up to the long-term average carbon stock of the forest and therefore do not need to be surrendered at harvest, as long as replanting occurs.

Auctioning share

31%

Total Revenue

NZD 5.6 billion (USD 3.7 billion) since the beginning of the program
NZD 5.7 million (USD 3.3 million) in 2025

2024

Use of Revenues

- General budget, including debt reduction

When NZ ETS auctioning commenced in March 2021, proceeds were allocated to the Climate Emergency Response Fund (CERF), which funded climate-related initiatives including decarbonisation, public transport, and international climate finance. In 2024, the government closed the CERF so that ETS revenue is no longer ring-fenced and climate investment proposals now go through the standard government Budget process.

Approximately NZD 2.6 billion (USD 1.5 billion) of existing CERF initiatives were retained. These include:

- Funding for nationwide low-emission transport, such as electric vehicle charging infrastructure and grants for clean heavy vehicles
- Measures to decarbonise public transport and improve access, including support for local government to purchase electric buses and providing public transport concessions for low-income citizens
- International climate finance contributions
- Support for upgrades aimed at lowering energy bills and emissions in low-income homes

Flexibility & Linking

Offset credits

The use of offset credits is not allowed.

However, NZUs granted for forestry and other removals may be considered as offsetting emissions within the scope of the NZ ETS.

Units from Kyoto Protocol flexibility mechanisms were eligible for use in the system with no restrictions until June 2015 but have since been ineligible. Access to high-integrity international carbon markets may be part of New Zealand's strategy to meet its 2030 target. The government can decide to allow international units as part of the annual unit supply-setting process.

Banking and borrowing

Banking is allowed. NZUs do not expire.

Borrowing is not allowed.

Links with other Systems

The NZ ETS is not linked with any other system.

Until June 2015, the NZ ETS was indirectly linked to other systems (e.g., the EU ETS) via the international Kyoto Protocol flexible mechanisms. Since then, the NZ ETS has been an exclusively domestic system.

Other carbon pricing instruments in the jurisdiction

Carbon tax: Synthetic GHG levy

Compliance

Compliance mechanism

Covered entities must surrender one compliance unit (NZU) per tCO_2e emitted for all their covered emissions.

Compliance Period

For most sectors, the NZ ETS has annual surrender obligations. For post-1989 forestry participants, annual reporting of emissions and removals is optional, with five-year mandatory reporting periods. As a result, unit allocations and surrenders for these participants occur in the year they choose to submit reports.

Monitoring, Reporting, Verification (MRV)

FRAMEWORK: The legal framework is established by the Climate Change Response Act 2002. This Act legally requires participants to monitor their activities, report emissions annually, and surrender the corresponding number of units. Specific methodologies and calculation rules for each sector are detailed in supporting regulations.

MONITORING: The thresholds for MRV are the same as for mandatory inclusion in the ETS. Formal, pre-approved monitoring plans are not generally required. Instead, participants must follow the calculation methods in the regulations, unless they apply for a Unique Emissions Factor (UEF), which requires detailed information similar to a monitoring plan.

Up until 2025, entities processing agricultural products had MRV obligations without compliance obligations. This was supposed to transition to farm-level MRV in 2026. However, there are no longer any obligations for agricultural activities.

REPORTING: Most sectors (all those with mandatory participation) are required to report annually; the deadline is the end of March of the year following the reporting year to submit an Annual Emissions Return (emissions report). There is a different reporting cycle for forestry (see Compliance Cycle). Other removal activities may be reported more frequently (quarterly).

VERIFICATION: MRV follows a system of self-reporting supplemented by a program of official government audits. Each year, a sample of NZ ETS participants are selected for compliance review. Third-party verification is not required for emissions reports. However, third-party verification is required for first establishing a UEF, which may then be used in emissions reports as opposed to the default factors supplied by the government.

Penalties and enforcement

An entity that fails to submit an emissions report by the due date must pay a fine equal to the number of units involved, multiplied by the current unit price and a "culpability factor".

An entity that fails to surrender or repay emissions units when required must surrender the units and pay a cash penalty of three times the current market price for each unit that was not surrendered by the due date. Entities can be fined up to NZD 24,000 (USD 13,950) on conviction for failure to collect emissions data or other required information, calculate emissions and/or removals, keep records, register as a participant, submit an Annual Emissions Return when required, or notify the administering agency or provide information when required to do so.

Entities can also be fined up to NZD 50,000 (USD 29,062) on conviction for knowingly altering, falsifying, or providing incomplete or misleading information about any obligations under the scheme, including in the Annual Emissions Return report. This penalty and/or imprisonment of up to five years also applies to entities that deliberately lie about obligations under the NZ ETS to gain financial benefit or avoid financial loss.

Market Regulation

Market Stability Provisions

COST CONTAINMENT RESERVE (CCR)
Instrument type: Price-based instrument
Functioning: If a predetermined trigger price is reached at auction, a specified number of allowances from the CCR are additionally released for sale. The CCR follows a two-tier system, with a specific number of allowances available for auction at each trigger. The government updates the CCR trigger prices each year, together with other auction supply settings (see 'Cap' section).

In 2025, the volume of the CCR was set at a total of 7.1 million allowances for both triggers. The trigger price was not reached during 2025, so none of these were released to market. Currently, the volume of the reserve is set at 6.5 million in 2026, dropping annually to 3.9 million in 2030.

At the start of 2026, the first CCR trigger price is NZD 203 (USD 117.99), with a total of 2.3 million units available. The second trigger price is NZD 254 (USD 147.64), with 4.2 million units available. These triggers will rise annually to reach NZD 248 (USD 144.15) and NZD 309 (USD 179.61) respectively in 2030.

PRICE FLOOR
Instrument type: Price-based instrument

Functioning: With the start of auctioning, the government introduced a price floor operating through a reserve price or minimum accepted bid at auction.

In addition to the hard auction reserve price floor, the government introduced a confidential reserve price. This is set by referencing prices from the secondary market and uses a confidential methodology to determine a reserve price below which units cannot be sold. If it is set higher than the hard auction reserve price, then it becomes the new reserve price floor for that auction.

The hard auction reserve price floor is NZD 71 (USD 41.27) in 2026, rising annually to NZD 87 (USD 50.57) in 2030.

Market Design

MARKET PARTICIPATION: Any individual or organization can own and trade NZUs, if they hold an account with the NZ ETS Registry.

MARKET TYPES:
Primary: Auctions are operated jointly by NZX (New Zealand Exchange) and the European Energy Exchange (EEX) and are held four times a year. Any NZ ETS Register Account Holder can participate in the auctions. Other transfers of allowances to participants, such as industrial allocation and allocation for removals, are also considered under the primary market.

Secondary: Most NZUs are traded on the secondary market. Trades can take place directly between companies (OTC) or via a trading platform. Trades can be on a spot basis or through forward contract.

LEGAL STATUS OF ALLOWANCES: Allowances are not financial products in New Zealand law and, as a result, there is currently no single integrated market governance framework that would manage risks of misconduct in the NZ ETS. The government is currently working on options to improve market governance.

Other Information

Institutions involved

Ministry for the Environment: Responsible for establishing the regulatory framework of the NZ ETS.
Environmental Protection Authority: Responsible for the NZ ETS registry and compliance.
Ministry for Primary Industries: Responsible for the forestry sector under the NZ ETS.
Climate Change Commission: Independent body providing advice on NZ ETS settings as well as other advice that might include the NZ ETS.

Regulatory Framework

Climate Change Response Act 2002—Part 4 New Zealand greenhouse gas emissions trading scheme*

* To keep New Zealand's key climate change legislation under one act, the Climate Change Response Act incorporates both the "Climate Change Response (Emissions Trading Reform) Amendment Act 2020", and the "Climate Change Response (Zero Carbon) Amendment Act 2019". The "Zero Carbon Act" details domestic targets to 2050, establishes the Climate Change Commission, and mandates a process of setting and meeting five-year national emission budgets.

Evaluation / ETS review

The Climate Change Response Act 2002 includes provisions for reviews of the operation and effectiveness of the NZ ETS. These reviews were originally required every five years, but the timing is now discretionary. The first review took place from 2011 to 2012, and the second review took place from 2015 to 2017. A third review of the NZ ETS was opened in early 2023. Following the 2023 General Election, this was closed by the new government.

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