

Office of Hon Simon Watts

Minister of Climate Change
Minister for Energy
Minister of Local Government
Minister of Revenue



Dame Patsy Reddy
Chair
Climate Change Commission
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Dear Dame Patsy,

Thank you for meeting me on Tuesday 3 June. As we discussed, I have directed Ministry for the Environment (Ministry) officials to work with the Climate Change Commission (Commission) to refresh the analytical tools and decision-making framework for NZ ETS Settings. This letter reiterates my aims for this work.

I understand the Commission's approach to advising on NZ ETS Settings this year followed the established unit limits methodology used by both the Commission and the Ministry since 2021. However, the results surprised some market commentators. I want to explore what can be done to provide greater stability to the market.

A stable NZ ETS market is a key priority for me. This is my main driver for directing officials to initiate this project, and I expect it to result in practical, actionable improvements in the approach to advising on NZ ETS Settings.

I am pleased to hear the Commission are engaging constructively with Ministry officials and that it sees benefits in a shared overall approach to advising on NZ ETS Settings.

I acknowledge the Commission's statutory independence, and I value this. Within that statutory independence, I see real benefit in the Commission and my officials coming to a shared and agreed approach to preparing advice on the NZ ETS Settings, where possible. I ask that you strive to work together towards that end.

I have asked officials to provide me a final report on findings by September 2025. This will allow improvements to be incorporated into the 2026 NZ ETS Settings process.

The consultation document for this year's NZ ETS Settings process seeks feedback on a range of relevant issues to the review. I do not intend to announce this project at this point nor publish this letter. This will avoid creating uncertainty in relation to this year's decisions on NZ ETS Settings.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Simon Watts', written over a horizontal line.

Hon Simon Watts
Minister of Climate Change