



Hon. Simon Watts  
Minister of Climate Change  
PARLIAMENT BUILDINGS

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30 January 2026

Tēnā koe Minister

I acknowledge your letter of 23 January 2026, setting out matters of interest to you in relation to the Commission's 2026 NZ ETS unit limits and price control settings advice, and asking the Commission to consider certain options as part of that advice.

The Commission has a statutory duty to act independently under section 50 of the Climate Change Response Act 2002 (the Act). This means the Commission must determine how to scope, develop and present its advice, taking into account relevant legislative requirements.

That said, in our work we strive to consider all relevant information. This includes the types of issues highlighted in your letter, such as the role of the NZ ETS in the Government's Climate Strategy and current market conditions. As noted in my 18 December letter to you, we have already identified the likely need to require more reductions from NZ ETS sectors as a result of recent Government decisions and other new information. It is helpful to know that you are aware of and open to this possibility.

We will also make best efforts to provide advice that supports transparency and well-informed Government decision-making. We agree there is value to exploring the implications and merits of different choices, so long as these meet the requirements of the Act. Given constraints on time and the limitations of the analytical tools available, we will likely focus on identifying the benefits, risks and uncertainties associated with different choices, rather than undertaking additional work to quantify the specific emission reduction outcomes that particular NZ ETS settings might deliver. The April due date for the 2026 advice means we have only a matter of weeks to complete our analysis, considering the time needed to write and produce the report and associated documents.

Finally, I note that the Act's requirements for the NZ ETS settings advice are prescriptive and limit its scope, with the Commission restricted to making a clearly defined set of specific recommendations.

The Commission's emissions reduction monitoring report, due mid-year, is where we will be able to address a wider range of prospects for reducing emissions through the NZ ETS as well as other mechanisms. Responding to that monitoring report will provide the Government with another opportunity to consider how to ensure we are well-positioned to achieve emissions reduction targets.

Ngā mihi nui



Dame Patsy Reddy  
**Chair of He Pou a Rangi Climate Change Commission**