



COVERSHEET

Minister	Hon Simon Watts	Portfolio	Energy
Titles of Cabinet Papers	Enabling Carbon Capture, Utilisation and Storage Policy Approach for Carbon Capture, Utilisation and Storage	Date to be published	27 March 2025

List of documents that have been proactively released		
Date	Title	Author
October 2024	Enabling Carbon Capture, Utilisation and Storage	Office of the Minister for Energy
16 October 2024	Enabling Carbon Capture, Utilisation and Storage ECO-24-MIN-0223 Minute	Cabinet Office
9 October 2024	Regulatory Impact Statement: Enabling Carbon Capture and Storage	MBIE
9 October 2024	Climate Implications of Policy Assessment: Enabling Carbon Capture and Storage	MBIE
December 2024	Policy Approach for Carbon Capture, Utilisation and Storage	Office of the Minister for Energy
11 December 2024	Policy Approach for Carbon Capture, Utilisation and Storage ECO-24-MIN-0305 Minute	Cabinet Office
26 November 2024	Regulatory Impact Statement: Further decisions on an enabling framework for Carbon Capture and Storage	MBIE

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government, Negotiations, and National Economy.



Cabinet Economic Policy Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Policy Approach for Carbon Capture Utilisation and Storage

Portfolio **RMA Reform / Energy / Climate Change**

On 11 December 2024, the Cabinet Economic Policy Committee (ECO):

1 **noted** that in October 2024, ECO:

- 1.1 noted that the lack of a high-level framework for carbon capture utilisation and storage (CCUS) is a gap in New Zealand's regulatory landscape, and agreed the parameters of how the CCUS regime will interact with the emissions trading scheme (ETS);
- 1.2 invited the Minister for Energy, Minister of Climate Change and Minister Responsible for RMA Reform (responsible Ministers) to report back to ECO by December 2024 to seek agreement to other high-level parameters necessary to promulgate a CCUS regime for New Zealand;

[ECO-24-MIN-0223]

2 **noted** that the paper under ECO-24-SUB-0305 only relates to CCUS activities that:

- 2.1 are countable against New Zealand's international climate change targets;
- 2.2 Confidential Advice to Government
- 2.3 are not covered elsewhere in our regulatory settings (such as geothermal re-injection);

3 Confidential Advice to Government

4 **agreed** that the design of the CCUS regime is driven by the following principles:

- 4.1 that the CCUS regime is one of high integrity;
- 4.2 that processes for applicants and CCUS proponents will be streamlined as much as possible;
- 4.3 that decision-making processes and criteria are clear and workable from the viewpoint of both scheme proponents and decision-makers;

- 4.4 the regulatory requirements for CCUS scheme design should not be overly prescriptive, and are fit for purpose in a New Zealand context;

Approvals and injection period

- 5 **agreed** that the primary criterion to be set out in legislation is that decision-makers must be satisfied of the suitability of a storage site and associated operations for CCUS activities;
- 6 **agreed** that it must be determined that both the site and the planned operations (including the approach to monitoring and the closure plan) are credible for an operator to claim ETS credits from CCUS activities;
- 7 **noted** that the tests set out in paragraphs 6 and 7 above will seek to appropriately manage risk without being too onerous on potential CCUS operators;
- 8 **noted** that the information required from the operator to enable the regulator to assess the tests set out in paragraphs 6 and 7 will likely include:
- 8.1 site geology and characterisation;
 - 8.2 a site operations plan;
 - 8.3 a monitoring, reporting and verification plan; and
 - 8.4 closure and post-closure plans;
- 9 **agreed** that all costs associated with an application be met by the applicant, including the costs of assessing the application;
- 10 **agreed** that there is the ability to change obligations such as monitoring requirements on a CCUS operator (an adaptive approach) to effectively manage risks while enabling activities to occur;

Closure, Post-Closure and Decommissioning

- 11 **agreed** that the costs of decommissioning of CCUS operations be met by the operator;
- 12 Confidential Advice to Government
- 13 **agreed** that any financial security that an applicant or scheme proponent is required to post to cover decommissioning costs cannot include provision for the ETS cost of any leakage of CO₂ from a site;
- 14 **agreed** that when a CCUS operator wishes to stop injecting into a storage site, it may update the closure and post-closure plan set out in the approvals process;
- 15 **agreed** that a site be regarded as closed (decommissioned) once the regulator has signed off that the closure plan has been implemented appropriately, and that the risk of leakage of carbon from the site is independently assessed as being very low;
- 16 **agreed** that the obligations on a CCUS operator extend beyond the cessation of a CCUS activity, in order to provide for ongoing monitoring and management of a CCUS storage site following closure;

Possible removal of ETS surrender obligation

- 17 **noted** that in most overseas CCUS schemes, the possibility exists for an operator to cease to be liable through the ETS (or equivalent) for surrender obligations associated with the leakage of CO₂ if certain conditions are met to the satisfaction of Ministers;
- 18 **agreed** that the regime should provide for the possible removal of ETS surrender obligations for the stored carbon associated with a CCUS activity, no sooner than 15 years after the start of the post-closure period;
- 19 **agreed** that the Minister with responsibility for decisions regarding the removal of ETS surrender obligations is the Minister of Climate Change;
- 20 **agreed** that the Minister of Climate Change must gain the approval of the Minister of Finance before a decision is made to remove the ETS surrender obligations;
- 21 **agreed** that when deciding whether to remove the ETS surrender obligations associated with any CO₂ leakage, the Minister of Climate Change must consider whether injected CO₂ is behaving as predicted, and that there is no significant risk that CO₂ will have a significant adverse impact on the integrity of the storage formation, the environment, or on human health or safety;
- 22 **agreed** that the Minister of Climate Change must commission and consider an independent study from an expert body of the risk of CO₂ leakage from a site prior to making a decision to remove ETS surrender obligations from an operator;
- 23 **agreed** that the operator covers the cost of the independent study referred to in paragraph 22 above;

Ancillary and Enabling

- 24 **agreed** that the Climate Change Response Act 2002 include provision for CCUS to receive New Zealand Units as a separate removal activity;
- 25 **authorised** the responsible Ministers, along with the Minister for the Environment, further decisions (including rights to issue drafting instructions) needed to give effect to the decisions under ECO-24-MIN-0305;
- 26 **noted** that the responsible Ministers and the Minister for the Environment will consult with other Ministers as appropriate in exercising the authorisation referred to above, including the Minister for Resources in relation to CMA-related issues, the Minister for Workplace Relations and Safety for health and safety matters, and the Minister of Finance for matters pertaining to the eligibility for removing surrender obligations under the ETS.

Rachel Clarke
Committee Secretary

Present: (see over)

Present:

Hon David Seymour
Hon Nicola Willis (Chair)
Hon Shane Jones
Hon Simeon Brown
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins KC
Hon Todd McClay
Hon Tama Potaka
Hon Melissa Lee
Hon Penny Simmonds
Hon Chris Penk
Hon Nicola Grigg
Hon Andrew Bayly
Hon Andrew Hoggard
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Judith Collins KC
Officials Committee for ECO