



COVERSHEET

Minister	Hon Simon Watts	Portfolio	Energy
Title of Cabinet paper	Gas (Levy of Industry Participants) Regulations 2025	Date to be published	18 June 2025

List of documents that have been proactively released

Date	Title	Author
May 2025	Gas (Levy of Industry Participants) Regulations 2025	Office of the Minister for Energy
15 May 2025	Gas (Levy of Industry Participants) Regulations 2025 LEG-25-MIN-0087 Minute	Cabinet Office

Information redacted

NO

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In Confidence

Office of the Minister for Energy

Chair, Cabinet Legislation Committee

Gas (Levy of Industry Participants) Regulations 2025

Proposal

- 1 That the *Gas (Levy of Industry Participants) Regulations 2025* be approved for submission to the Executive Council to enable the Gas Industry Company (GIC) to recover its costs for the 2025/26 financial year (other sources of funding for GIC include market fees and equity reserves).

Executive Summary

- 2 This paper seeks approval to submit the attached *Gas (Levy of Industry Participants) Regulations 2025* to the Executive Council. These are routine regulations that set the GIC levy for the 2025/26 financial year.
- 3 GIC co-regulates the gas industry with the Government. Since 2005, a levy on gas industry participants has funded the majority of GIC's costs (the remainder of costs are recovered from market fees revenue and equity reserves). As levy regulations may only apply to the year they are made, new levy regulations must be made every year.
- 4 The regulations would enable the recovery of costs of \$3.41 million for the 2025/26 financial year (a 22.89 per cent decrease from the 2024/25 financial year). This represents approximately 56 per cent of GIC's estimated total work programme costs. These costs are intended to be covered through two levy rates:
 - 4.1 A retail levy on gas retailers of \$4.90 for each customer to which the retailer has a contract to supply gas, and
 - 4.2 A wholesale levy of 1.7158 cents per gigajoule of gas that participants purchase from gas producers.
- 5 The costs imposed on end users are relatively small, approximately 44.42 cents per month (or \$5.33 for the year) for a residential gas consumer, which represents approximately 0.46 per cent of their annual gas bill. Large industrial users, who consume the most gas, will pay the majority of the levy.

Policy

Each financial year Gas Industry Company makes a recommendation on levy regulations to recover its costs

- 6 Gas Industry Company (**GIC**) was established in 2004 as the approved industry body for the co-regulation of the gas industry, under the *Gas Act 1992*.¹ Its principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner. The *Gas Act 1992* and the Government Policy Statement on Gas Governance 2008 (the **GPS**) further articulate the Government's objectives and outcomes for GIC, including fairness and environmental sustainability.
- 7 As an industry-owned co-regulator, GIC's role and structure differs from Crown Entity regulators and other levy-funded organisations. GIC uses regulatory and non-regulatory mechanisms to ensure effective oversight of wholesale and retail gas markets, processing facilities, and gas distribution for an estimated 311,000 customers, including major industrial users.
- 8 The costs of delivering its work programme are in part recovered through a levy on gas industry participants. The remainder of costs are recovered from market fees² revenue and equity reserves.³
- 9 GIC can make a recommendation to the Minister for Energy that regulations are made to require gas industry participants to pay a levy to GIC.⁴ These levy regulations can only apply to the financial year in which they are made. New levy regulations must therefore be made every year for GIC to be able to recover certain costs.⁵
- 10 The current levy rates have applied from 1 July 2024 and will cease to apply on 30 June 2025.
- 11 These regulations would also revoke the *Gas (Levy of Industry Participants) Regulations 2023*. While these set the levy rates for the 2023/24 financial year, they remain in place for a two-year period to require industry participants to keep information necessary to inform the establishment of the wholesale levy, supplying this information to GIC when requested.

The recommended 2025/26 levy regulations are routine and do not require new policy decisions

- 12 On 31 March 2025, I received GIC's levy recommendation for 2025/26. On 3 April 2025, I authorised the drafting of regulations without reference to Cabinet as the levy regulations are routine and do not require new policy decisions. I did this in accordance with paragraph 7.95(d) of the Cabinet Manual and with past practice.

¹ *Gas (Approval of Industry Body) Order 2004*, made pursuant to section 43ZL of the *Gas Act 1992*.

² Market fees are payable in accordance with certain gas governance rules and regulations to recover actual expenses directly required to administer service provider arrangements and any other expected direct costs related to the monitoring of those arrangements.

³ Equity reserve is money set aside made up of industry advance reserves and retained earnings (i.e., shareholder fees).

⁴ Section 43ZZB of the Act.

⁵ Section 43ZZE(3) of the Act.

IN CONFIDENCE

The recommended 2025/26 levy regulations provide for a lower levy funding requirement than the previous financial year

- 13 GIC has recommended levy regulations to recover \$3.41 million of its total work programme costs for 2025/26, a 22.89 per cent decrease in levy funding requirements year on year.
- 14 The decrease in GIC's levy funding request is driven by a shift to recover approximately \$900,000 from market fees instead of the levy, rather than a significant decrease in their total work programme costs. The shift follows GIC reviewing how they allocate costs, and determining a greater portion of salary costs should be funded through market fees to reflect the proportion of staff time spent working on gas governance arrangements.
- 15 The work programme costs covered by levy funding are to be recovered through an annual retail levy on gas retailers of \$4.90 per customer, estimated by the number of Installation Control Points (ICP),⁶ and a wholesale levy of 1.7158 cents per gigajoule (GJ) that participants purchase from gas producers (note that these are GST exclusive).
- 16 Table One provides a comparison of retail and wholesale levy rates between the 2024/25 and 2025/26 financial years.

Table One: Comparison of retail and wholesale levy rates 2024/25 and 2025/26 (figures excluding GST)

	2024/25	2025/26 (proposed)	Percentage change
Retail Levy (per ICP)	\$6.53	\$4.90	-24.96%
Wholesale Levy (cents per GJ)	1.5952	1.7158	+7.56%
Total levy funding requirement	\$4,422,758	\$3,410,198	-22.89%

- 17 While there is an overall decrease in the levy funding requirement, there is an increase in the wholesale levy rate. This does not reflect an increase in levy funding costs; it reflects lower forecasted gas production in the coming year. This means that the costs are shared across lower volumes of gas, increasing the amount of levy per GJ of gas.
- 18 The impact of the levy is estimated at \$5.33 per annum for a residential gas consumer, which represents approximately 0.46 per cent of their annual gas bill. Large industrial users, who consume the most gas, will pay the majority of the wholesale levy.
- 19 Should GIC's forecasts that underpin the levy rates be underestimates, there is a potential for over-collection. A process is in place for managing any over-collection of levies at the end of each financial year, with any overpayments usually being returned to gas industry participants as part of a 'wash-up' process.

⁶ An ICP is a consumer's physical point of connection. Note that a consumer may have more than one ICP. The retail levy rate equates to around 44.42 cents per month for each ACTIVE-CONTRACTED ICP.

IN CONFIDENCE

I N C O N F I D E N C E

The levy recommendation enables the delivery of a work programme aligned with the Government's objectives and outcomes for the gas industry

- 20 GIC has an annual review process for its levy rates and work programme ahead of making a recommendation for levy rates for the next financial year. The work programme is distributed between workstreams funded by the retail levy and wholesale levy.
- 21 I am satisfied that GIC's 2025/26 levy recommendation is aligned with the estimated costs to deliver a work programme that delivers the Government's objectives and outcomes for the gas sector.
- 22 Further information on GIC's proposed work programme for 2025/26 is attached at **Appendix One**.

The recommended 2024/25 levy regulations meet the assessment criteria set out in the Gas Act 1992

- 23 Section 43ZZD(2) of the *Gas Act 1992* requires me to accept GIC's recommendation if I am satisfied that:
- 23.1 the levy rate is reasonable, having regard to GIC's statement of intent (**SOI**), annual report, and any GPS objectives and outcomes
- 23.2 GIC has consulted with industry participants on the levy rate or amount, and
- 23.3 the requirements of sections 43ZZB to 43ZZE of the *Gas Act 1992* (which prescribe the costs that may be funded from the levy and various legal aspects of making the regulations) are met.
- 24 I am satisfied GIC's recommendation satisfies the above criteria. I have therefore accepted the levy recommendation, as I am required to do under the *Gas Act 1992*. An assessment against each requirement is set out below.

The levy rates are reasonable, having regard to GIC's SOI, annual report, and GPS objectives and outcomes

- 25 I am satisfied that GIC's proposed levy rates are reasonable. GIC has developed a work programme that aligns with the Government's objectives and outcomes for the gas sector. This is evident in GIC's draft SOI. The recommended levy rates have been set based on the estimated costs of delivering that work programme.
- 26 The recommended levy rates for 2025/26 (assuming the full cost is passed on through both the retail and the wholesale levies) are estimated to cost:⁷

⁷ There is no "typical" commercial or industrial customer. To provide some indication of the impact on users, a typical annual gas usage of 25 GJ for residential consumers, 1,000 GJ for commercial consumers and 50,000 GJ for industrial consumers has been assumed. Gas prices are also assumed from 2023 nominal average prices, of \$46.38/GJ for residential consumers, \$25/GJ for commercial consumers and \$9.98/GJ for industrial consumers (these numbers have been rounded).

IN CONFIDENCE

- 26.1 residential consumers around \$5.33 per year (0.46 per cent of an average residential gas bill)⁸, a 23.09 per cent decrease from last year
 - 26.2 commercial customers around \$22.06 per year (0.09 per cent of an average commercial bill), a 1.87 per cent decrease from last year, and
 - 26.3 industrial customers around \$862.80 per year (0.17 per cent of an average industrial gas bill), a 7.30 per cent increase from last year.
- 27 While the wholesale levy has increased (due to lower forecast gas production), the retail levy has decreased (due to a shift to recover more salary costs from market fees). The levies make up a very small proportion of overall gas costs for consumers.

GIC has consulted with industry participants on the recommended levy rates

- 28 GIC's consultation commenced with the annual co-regulatory forum in November 2024. The co-regulatory forum gives stakeholders, including major users and industry participants, an opportunity to provide GIC with feedback on the 2025/26 financial year work programme.
- 29 In December 2024, GIC released a consultation paper setting out GIC's strategic role, work programme and proposed levy rates. Consultation closed in February 2025.
- 30 Ten submissions were received. Submitters generally supported GIC's FY2026 work programme.
- 31 All submissions either supported or did not comment on the process for developing the FY2026 work programme and budget (which is well-established) and the proposed levy rates for the 2025/26 financial year.
- 32 I am satisfied that GIC has undertaken sufficient consultation on the levy proposal, and that industry is supportive of it.

The level requirements of sections 43ZZB to 43ZZE of the Gas Act 1992 are met

- 33 These sections prescribe the costs that may be met from the levy and various legal requirements that the levy regulations must meet. I am satisfied that the levy regulations GIC has proposed meet the requirements of sections 43ZZB to 43ZZE of the *Gas Act 1992*.

Financial Implications

- 34 There are no financial implications for government. GIC's operations are fully funded through the levy on gas industry participants, shareholder and market fees, and equity reserves.

⁸ Note that the gas levies will have a greater impact on lower income households because, on average, fuel expenses take up a greater proportion of their household income. However, the overall impact on consumers is likely to be very small.

Timing and 28-day rule

- 35 The *Gas (Levy of Industry Participants) Regulations 2025* are proposed to come into force on 1 July 2025. No waiver of the 28-day rule is sought.

Compliance

- 36 The draft regulations comply with:
- 36.1 principles of the Treaty of Waitangi
 - 36.2 rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
 - 36.3 the principles and guidelines set out in the Privacy Act 2020
 - 36.4 relevant international standards and obligations, and
 - 36.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.
- 37 I am satisfied that the requirements in section 43ZZD(2) of the *Gas Act 1992* have been met. See the policy section of this paper for more information.

Regulations Review Committee

- 38 There are no grounds for the Regulations Review Committee to draw the regulations to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel

- 39 The Parliamentary Counsel Office has certified the regulations as being in order for submission to Cabinet provided that they have been recommended by the Minister for Energy in accordance with section 43ZZD of the *Gas Act 1992*.

Impact Analysis

- 40 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that the economic, social or environmental impacts are limited and easy to assess.

Climate Implications of Policy Assessment

- 41 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

Publicity

- 42 The levy regulations will be notified in the *New Zealand Gazette* (the *Gazette*) no later than 29 May 2025 and published on the New Zealand Legislation website.

Proactive Release

- 43 I intend to proactively release this paper within 30 business days with any required redactions from the date that Cabinet considers this paper.

Consultation

- 44 As stated, I am satisfied that GIC has undertaken sufficient consultation on the levy proposal, and that the gas industry is supportive of it.
- 45 GIC, the Ministry for Regulation and the Treasury have been consulted on this paper. The Department of the Prime Minister and Cabinet has been informed.

Recommendations

The Minister for Energy recommends that the Cabinet Legislation Committee:

- 1 **Note** that most of the costs of the Gas Industry Company (**GIC**), the co-regulator for the gas industry, have been funded by an annual levy on gas industry participants since 2005 (the remainder of costs are recovered from market fees revenue and equity reserves);
- 2 **Note** that:
 - 2.1 the *Gas Act 1992* provides for GIC to make a recommendation to the Minister for Energy regarding levy regulations, including on levy rates; and
 - 2.2 levy regulations can only apply to the financial year they are made in, meaning that it is necessary to set new levy regulations each year for GIC to recover certain costs;
- 3 **Note** that I have brought these regulations directly to the Cabinet Legislation Committee under paragraph 7.95(d) of the Cabinet Manual on the basis that the regulations are routine and do not require new policy decisions;
- 4 **Note** that I have received the GIC's levy recommendation for the 2025/26 financial year, which would enable it to recover up to \$3.41 million through:
 - 4.1 an annual retail levy on gas retailers of \$4.90 (excluding GST) per customer/Installation Control Points; and
 - 4.2 a wholesale levy on participants that purchase gas from producers of 1.7158 cents (excluding GST) per gigajoule purchased;

I N C O N F I D E N C E

- 5 **Note** that section 43ZZD(2) of the *Gas Act 1992* requires the Minister for Energy to accept GIC's recommendation to make levy regulations if the Minister is satisfied that:
- 5.1 the levy rate or amount is reasonable, having regard to the industry body statement of intent, the latest industry body annual report, and any Government Policy Statement objectives and outcomes; and
- 5.2 the industry body has consulted with industry participants on the levy rate or amount; and
- 5.3 the requirements of sections 43ZZB to 43ZZE have been met;
- 6 **Note** that I have accepted GIC's recommendation as I am satisfied that the requirements in section 43ZZD(2) of the *Gas Act 1992* have been met;
- 7 **Note** that the *Gas (Levy of Industry Participants) Regulations 2025* will give effect to a retail levy and a wholesale levy for the financial year from 1 July 2025, to recover up to \$3.41 million;
- 8 **Note** these regulations will also revoke the *Gas (Levy of Industry Participants) Regulations 2023* as they are now spent;
- 9 **Authorise** the submission to the Executive Council of the *Gas (Levy of Industry Participants) Regulations 2025*;
- 10 **Note** that the *Gas (Levy of Industry Participants) Regulations 2025* will come into force on 1 July 2025;
- 11 **Note** that these regulations will be published in the *Gazette* no later than 29 May 2025 to comply with the 28-day rule.

Authorised for lodgement

Hon Simon Watts

Minister for Energy

I N C O N F I D E N C E

Appendix One: GIC's proposed work programme for 2025/26

The proposed work programme for 2025/26 consists of multi-year workstreams, which includes meeting statutory requirements, such as administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. Key work includes:

- **Security of supply:** Facilitating industry and advising Government to enable imported LNG to be available by winter 2026, work on measures to bring renewable gases into the market and considering if additional mechanisms are needed to make sure natural gas is available to all users in times of unexpectedly tight supply.
- **Consumer voice:** Investigating the lifetime cost to residential gas consumers and the cost of emissions abatement of fuel switching, to better understand these costs.
- **Gas governance rules:** GIC will engage with industry on the implementation of changes to the *Gas (Downstream Reconciliation) Rules 2008* and the *Gas (Switching Arrangements) Rules 2008* that the Minister for Energy agreed to make in February 2025. These rule changes allow for advanced gas meters, injection of renewable gases and formalising of the daily allocation process.
- **Review of the existing Levy methodology:** Consulting with industry on GIC potentially levying LPG, LNG and biogas businesses, as wholesale gas volumes decline, and the consumption of these gases increase. GIC will also consider whether legislative changes would be required to the *Gas Act 1992* and levy regulations to enable this.
- **Critical contingency management:** Implementing proposed changes to the gas critical contingency management regime to give effect to amendments to the *Gas Governance (Critical Contingency Management) Regulations 2008*.
- **emsTradepoint:** Managing the transition of emsTradepoint⁹ after September 2025, should Transpower stop operating the platform from that date, and consult on future options for the platform.
- **Guidelines to enhance consumer outcomes:** Assessing the alignment of dual fuel retailers with the gas industry guidelines following finalisation of the electricity Consumer Care Guidelines. This involves reviewing retailer feedback on the guidelines and assessing retailer and distributor alignment with these.
- **Gas Transmission:** Considering the suitability of current transmission arrangements during the energy transition. This could include working with the Commerce Commission on any changes impacting pipeline regulations,

⁹ **emsTradepoint** is a spot market for trading carbon units and natural gas in New Zealand that has been operating since 2013.

I N C O N F I D E N C E

monitoring Firstgas' work to replace the OATIS system¹⁰ and assessing proposed changes to the transmission codes.

¹⁰ OATIS is an online interactive open access transmission information system that is used to facilitate information exchange in respect of the open access regime for the gas transmission system.

I N C O N F I D E N C E