



## COVERSHEET

<b>Minister</b>	Hon Simeon Brown	<b>Portfolio</b>	Energy
<b>Title of Cabinet paper</b>	Gas (Levy of Industry Participants) Regulations 2026	<b>Date to be published</b>	25 June 2026

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
May 2026	Gas (Levy of Industry Participants) Regulations 2026	Office of the Minister for Energy
14 May 2026	Gas (Levy of Industry Participants) Regulations 2026 LEG-26-MIN-0080 Minute	Cabinet Office

### Information redacted

**NO**

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.

## In Confidence

Office of the Minister for Energy

Chair, Cabinet Legislation Committee

## Gas (Levy of Industry Participants) Regulations 2026

### Proposal

- 1 This paper seeks approval to submit the *Gas (Levy of Industry Participants) Regulations 2026* to the Executive Council to enable the Gas Industry Company (GIC) to recover costs for the 2026/27 financial year.

### Relation to government priorities

- 2 This is a routine annual process under sections 43ZZB to 43ZZE of the *Gas Act 1992* that requires Cabinet approval.

### Executive Summary

- 3 GIC co-regulates the gas industry with the Government. A levy on gas industry participants largely funds GIC's costs. Levy regulations must be made every year to recover the estimated costs of the GIC's work programme for the next financial year.
- 4 The proposed *Gas (Levy of Industry Participants) Regulations 2026* would enable the recovery of costs of up to \$2.97 million for the 2026/27 financial year. These costs are intended to be covered through two proposed levy rates:
  - 4.1 A retail levy on gas retailers of \$4.98 for each customer to which the retailer has a contract to supply gas, and
  - 4.2 A wholesale levy of 1.7058 cents per gigajoule of gas that participants purchase directly from gas producers.
- 5 The costs to be recovered for the 2026/27 financial year is a 13 per cent decrease from the current financial year. The impact on end users is relatively small, approximately 41.5 cents per month (or \$5.41 for the year) for a residential gas consumer. This represents less than 0.5 per cent of their annual gas bill. Large industrial users, which consume the most gas, will pay the majority of costs to be covered from the levy.
- 6 I am satisfied GIC's recommendation satisfies the criteria set out in the *Gas Act 1992* and have therefore accepted the levy recommendation. I seek approval for the proposed levy regulations to be submitted to the Executive Council. The levy regulations will need to be in place by 1 July 2026.

## Policy

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

- 7 Gas Industry Company Limited (**GIC**) was established in 2004 as the approved industry body for the co-regulation of the gas industry, under the *Gas Act 1992*.<sup>1</sup> 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.
- 8 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 304,000 customers, including major industrial users.
- 9 The costs of delivering GIC's work programme are partly funded by a levy that is reset annually and collected from gas industry participants. The remainder of costs are recovered from market fees<sup>2</sup> revenue and equity reserves.<sup>3</sup>
- 10 GIC can make a recommendation to the Minister for Energy that regulations be made to require gas industry participants to pay a levy to GIC.<sup>4</sup> 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.<sup>5</sup>
- 11 The current levy rates have applied from 1 July 2025 and will cease to apply on 30 June 2026.
- 12 The 2026/27 levy regulations would also revoke the *Gas (Levy of Industry Participants) Regulations 2024*. While these set the levy rates for the 2024/2025 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 2026/27 levy regulations are routine and do not require new policy decisions*

- 13 On 30 March 2026, the Minister for Energy received GIC's levy recommendation for 2026/27. On 1 April 2026, the then Minister for Energy authorised the drafting of regulations without referral to Cabinet as the levy

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

<sup>2</sup> Market fees are set annually by GIC and are payable in accordance with certain gas governance rules and regulations to recover the actual expenses directly required to meet GIC's obligations under gas governance arrangements, including the contractually agreed costs of any service providers.

<sup>3</sup> Equity reserves are money set aside made up of industry advance reserves and retained earnings (i.e., shareholder fees).

<sup>4</sup> Section 43ZZB of the Act.

<sup>5</sup> Section 43ZZE(3) of the Act.

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regulations are routine and do not require new policy decisions. The Minister for Energy did this in accordance with paragraph 7.95(d) of the Cabinet Manual and with past practice.

*The recommended 2026/27 levy regulations provide for a lower levy funding requirement than the previous financial year*

- 14 GIC has recommended levy regulations to recover up to \$2.97 million of its total work programme costs for 2026/27, a 13 per cent decrease in levy funding requirements sought through the 2025/26 levy.
- 15 The decrease in GIC's levy funding request is driven by a shift to recover an additional \$400,000 from market fees this year, rather than a change in the cost of its work programme.
- 16 The work programme costs covered by levy funding are to be recovered through an annual retail levy on gas retailers of \$4.98 per customer, estimated by the number of Installation Control Points (ICP),<sup>6</sup> and a wholesale levy of 1.7058 cents per gigajoule (GJ) on participants that purchase directly from gas producers (note that these are GST exclusive).
- 17 Table One provides a comparison of retail and wholesale levy rates between the 2025/26 and 2026/27 financial years.

**Table One: Comparison of retail and wholesale levy rates 2025/26 and 2026/27 (figures excluding GST)**

	<b>2025/26</b>	<b>2026/27 (proposed)</b>	<b>Percentage change</b>
<b>Retail Levy</b> (per ICP)	\$4.90	\$4.98	+1.6%
<b>Wholesale Levy</b> (cents per gigajoule)	1.7158c	1.7058c	-0.6%
<b>Total levy funding requirement</b>	<b>\$3,410,198</b>	<b>\$2,964,139</b>	<b>-13%</b>

- 18 The impact of the levy is estimated at \$5.41 per annum for a residential gas consumer, which represents less than 0.5 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.

<sup>6</sup> An ICP is a consumer's physical point of connection to the gas network. Note that a consumer may have more than one ICP. The retail levy rate equates to around 41.5 cents per month for each active-contracted ICP (i.e. where gas is able to flow at that ICP and the customer has a contract with a retailer).

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*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 2026/27 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 2026/27 is attached at **Appendix One**.

*The recommended 2026/27 levy regulations meet the 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 2026/27 (assuming the full cost is passed on through both the retail and the wholesale levies) are estimated to cost:<sup>7</sup>

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<sup>7</sup> 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 2024 nominal average prices, of \$49.08 per gigajoule for residential consumers, \$28.02 per gigajoule for commercial consumers and \$12.26 per gigajoule for industrial consumers (these numbers have been rounded).

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- 26.1 residential consumers around \$5.41 per year (less than 0.5 per cent of an average residential gas bill)<sup>8</sup>, a 1.5 per cent increase from last year
  - 26.2 commercial consumers around \$22.04 per year (less than 0.1 per cent of an average commercial gas bill), about the same as last year, and
  - 26.3 industrial consumers around \$857.88 per year (less than 0.2 per cent of an average industrial gas bill), a 0.6 per cent decrease from last year.
- 27 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 its annual co-regulatory forum in November 2025. The co-regulatory forum gave stakeholders, including major users and industry participants, an opportunity to provide GIC with feedback on the proposed work programme for the 2026/27 financial year. Feedback from this forum was generally positive.
- 29 In December 2025, GIC released a consultation paper setting out GIC's strategic role, work programme and proposed levy rates for the 2026/27 financial year. Eleven submissions were received. While submitters provided feedback on areas of emphasis and implementation, they broadly supported GIC's strategic direction, work programme, estimated costs and associated levy rates for 2026/27.
- 30 I am satisfied that GIC has undertaken sufficient consultation on the levy proposal, and that industry is supportive of it.

### *Other specific requirements of the Gas Act 1992 have been met*

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

## **Financial Implications**

- 32 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.

## **Timing and 28-day rule**

- 33 The *Gas (Levy of Industry Participants) Regulations 2026* are proposed to come into force on 1 July 2026. No waiver of the 28-day rule is sought.

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<sup>8</sup> 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.

## Compliance

- 34 The proposed 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.
- 35 I am satisfied that the requirements in section 43ZZD(2) of the *Gas Act 1992* have been met. See paragraph 23 of the Policy section of this paper for more information.

## Regulations Review Committee

- 36 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

- 37 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

### Regulatory Impact Statement

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

### Climate Implications of Policy Assessment

- 39 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.

## Consultation

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

## Communications

- 42 The levy regulations will be notified in the *New Zealand Gazette* (the *Gazette*) no later than 21 May 2026 and published on the New Zealand Legislation website.

## Proactive Release

- 43 I intend to proactively release this paper with any required redactions within 30 business days from the date that decisions on this paper are confirmed by Cabinet.

## Recommendations

The Minister for Energy recommends that the Cabinet Legislation Committee:

- 1 **Note** that most of the costs of Gas Industry Company Limited (**GIC**), the co-regulator for the gas industry, have largely 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 2026/27 financial year, which would enable it to recover up to \$2.97 million through:
  - 4.1 an annual retail levy on gas retailers of \$4.98 (excluding GST) per customer/Installation Control Point; and
  - 4.2 a wholesale levy on participants that purchase gas directly from producers of 1.7058 cents (excluding GST) per gigajoule purchased;
- 5 **Note** that section 43ZZD(2) of the *Gas Act 1992* requires the Minister for Energy to accept the 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 objectives and outcomes in the Government Policy Statement on Gas Governance 2008; and

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- 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 2026* will give effect to a retail levy and a wholesale levy for the financial year from 1 July 2026, to recover up to \$2.97 million;
- 8 **Note** these regulations will also revoke the *Gas (Levy of Industry Participants) Regulations 2024* as they are now spent;
- 9 **Authorise** the submission to the Executive Council of the *Gas (Levy of Industry Participants) Regulations 2026*;
- 10 **Note** that the *Gas (Levy of Industry Participants) Regulations 2026* will come into force on 1 July 2026;
- 11 **Note** that these regulations will be published in the *Gazette* no later than 21 May 2026 to comply with the 28-day rule.

Authorised for lodgement

Hon Simeon Brown

Minister for Energy

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## Appendix One: GIC's proposed work programme for 2026/27

GIC's proposed work programme for the 2026/27 financial year consists of multi-year workstreams grouped under three strategic issues: gas supply, viability of networks and gas pricing. In addition, GIC's work programme has other activities for its roles in administering gas governance arrangements and as a trusted advisor to government, industry and gas consumers. Key work includes:

### Strategic Issues: Gas Supply

- **Gas Industry Roadmap:** Preparing a gas industry roadmap to 2035 with a focus on gas consumers and how different allocation approaches affect the long-term role of gas in New Zealand's energy mix and serve the best interests of NZ Inc.
- **Lack of upstream investment:** Advising the Minister for Energy on changes to the gas supply and demand balance, and any implications for government policy, and assisting with work arising from the Government's action, as appropriate.
- **LNG:** Facilitating industry processes, advising the Government (where requested) on matters relating to the importation of LNG, and advising on regulatory roadblocks hindering the uptake of LNG.
- **Biogas:** Providing advice to the Minister for Energy outlining barriers currently inhibiting the creation of a biogas market in New Zealand, and detailing actions that need to be undertaken (either by GIC or others) to enable this. In addition, GIC will liaise with stakeholders to identify market-led measures to enable a biogas market and completing any remaining work on the amendment of the Downstream and Switching Rules to accommodate the injection of renewable gases into downstream networks.
- **Demand response for dry year cover:** Continue to work closely with the Electricity Authority on the extent to which gas is able to provide dry year cover, publish the codified 2027 Supply and Demand study, and assist on any recommendations arising from the Government's consultation on strengthening the regulatory framework for dry years.
- **Levy funding arrangements:** Review the current levy funding arrangements to determine if they are fit for purpose and, if necessary, commence steps to introduce an alternative funding arrangement.

### *Strategic Issues: Viability of Networks*

- **Future of infrastructure:** Investigate the impacts on consumers from declining gas production, including future infrastructure needs, costs, and whether 'right sizing' the network could reduce consumer costs. In addition, further activities may include supporting MBIE and Commerce Commission on changes impacting pipeline regulation, assessing changes to transmission codes and pricing, reviewing transmission pipeline interconnections and access issues, and amending the relevant guidelines as required.

### *Strategic Issues: Gas Pricing*

- **Industrial gas consumers:** Continue to provide data and advice to industrial gas consumers to support informed decisions; monitor gas availability and pricing; ensure that issues facing industrial gas consumers are well understood through

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regular communications and engagement; advise the Minister for Energy and peer regulators about issues facing industrial gas consumers; and continue to support industrial gas consumers who manage their own gas procurement and delivery.

- **Residential gas consumers:** Continue to provide data to residential gas consumers to support informed decisions; monitor gas availability and pricing; ensure that issues facing residential gas consumers are well understood through regular communications and engagement; advise the Minister for Energy, peer regulators and consumer groups about issues facing residential gas consumers; engage an independent assessor to complete the three-yearly review of retail gas contracts; and assess retailer and distributor alignment with the Consumer Care guidelines, monitor their effectiveness, and propose amendments as needed.

### *Other activities*

- **Educate and influence:** Provide advice to the Minister for Energy, industry, and consumers on matters concerning the gas industry, and engage with industry stakeholders by hosting industry workshops and presenting at conferences, forums, and industry participant Boards.
- **Gas Governance arrangements:** Fulfilling GIC's statutory roles under the gas governance rules and regulations and ensuring that the arrangements remain fit for purpose as the industry transitions.

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