



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Resources
Title of Cabinet paper	Removing royalty obligations to encourage the development of underground gas storage facilities	Date to be published	12 October 2026

List of documents that have been proactively released

Date	Title	Author
19 August 2026	Removing royalty obligations to encourage the development of underground gas storage facilities	Office of the Minister for Resources
26 August 2026	Removing Royalty Obligations to Encourage the Development of Underground Gas Storage Facilities ECO-26-MIN-0170 Minute	Cabinet Office
19 August 2026	Regulatory Analysis Summary: Removing royalty obligations to encourage the development of underground gas storage facilities	MBIE

Information redacted

YES / 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.

Some information has been withheld for the reasons of confidential information entrusted to the government, legal professional privilege, international relations and commercial information.



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.

Removing Royalty Obligations to Encourage the Development of Underground Gas Storage Facilities

Portfolio **Resources**

On 26 August 2026, the Cabinet Economic Policy Committee:

- 1 **noted** that additional underground gas storage facilities would support flexibility of gas supply, especially as New Zealand moves towards a scenario where Methanex exits the market;
- 2 **noted** that the royalty regulations currently require an upfront royalty payment, and that industry and potential developers indicate this is acting as a disincentive to new gas storage development;
- 3 **agreed** to amend the Crown Minerals (Royalties for Petroleum) Regulations 2013 so that operators of underground storage facilities are not required to pay royalties on volumes of original gas that are required to maintain the minimum pressure needed within the reservoir to inject, manage and withdraw the active working gas effectively (cushion gas);
- 4 **agreed** that, for any underground gas storage facility, any original gas within the reservoir that exceeds the volume required for cushion gas remains subject to royalties;
- 5 **noted** the following changes as a result of the decision in paragraph 3 above, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$m – increase/(decrease)				
Revenue	2026/27	2027/28	2028/29	2029/30	2030/31 & Outyears
Crown Revenue and Receipts:					
Other sovereign revenue	(2.000)	(2.000)	(2.000)	-	-
Total Operating	2.000	2.000	2.000	-	-

- 6 **agreed** that the reduction in Crown and other sovereign revenue in paragraph 5 above be charged against the between-Budget contingency established as part of Budget 2026;
- 7 **invited** the Minister for Resources to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;

- 8 **authorised** the Minister for Resources to make additional policy decisions and minor or technical changes to the above policy decisions, consistent with the policy intent in the paper under ECO-26-SUB-0170, on issues that arise during drafting.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Chris Bishop (Chair)
Hon Brooke van Velden
Hon Shane Jones
Hon Louise Upston
Hon Tama Potaka
Hon Penny Simmonds
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Hon Cameron Brewer

Officials present from:

Officials Committee for ECO