MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Shane Jones	**Portfolio**	Resources
Title of Cabinet paper	Crown Minerals (Royalties for Petroleum) Amendment Regulations	**Date to be published**	3 November 2026

List of documents that have been proactively released		
Date	**Title**	**Author**
8 October 2026	Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026	Office of the Minister for Resources
12 October 2026	Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026 CBC-26-MIN-0049 Minute	Cabinet Office

Information redacted **YES / NO**

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In Confidence

Office of the Minister for Resources

Chair, Cabinet Business Committee

Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026

Proposal

1 This paper seeks authorisation for submission to the Executive Council of the *Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026* (Amendment Regulations), to remove the requirement for developers of underground gas storage (UGS) facilities to pay an upfront royalty on the original gas contained in the reservoir, limited to the gas required to inject, manage and withdraw the active working gas effectively (cushion gas).

Policy

2 Additional gas storage is needed to enable flexibility in the gas system, and ensure gas is available for electricity generation during times of peak demand. This need will become more acute when Methanex exits the New Zealand market, removing a significant source of demand response. While New Zealand has one gas storage facility at Ahuroa, its capacity is insufficient to replace the demand response currently provided by Methanex.

3 Current regulations require a single upfront royalty to be paid on original gas[1] remaining in a field, when developers are granted a permit to convert a reservoir to a UGS facility. If a UGS facility is developed, it is unlikely that the cushion gas will ever be extracted. Industry say this upfront cost is one of the barriers to the development of new gas storage facilities, which also require substantial upfront capital investment.

4 In August 2026, Cabinet agreed to amend the *Crown Minerals (Royalties for Petroleum) Regulations 2013* so that operators of UGS facilities are not required to pay royalties on the volume of original gas required to maintain the minimum pressure needed within a reservoir to inject, manage and withdraw the active working gas effectively (cushion gas) [ECO-26-MIN-0170].

5 Currently, the amount and volume of original gas subject to royalties is determined by an independent expert. This proposed change will also require the expert to determine the proportion of a UGS facility's original gas that is cushion gas and not subject to royalties. Any original gas in excess of the volume required as cushion gas would remain subject to royalties.

[1] Original gas is defined in the Crown Minerals (Royalties for Petroleum) Regulations 2013 as the economically recoverable gas in an underground gas storage facility before injection of gas from another permit area.

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6 Removing the royalty obligation on cushion gas will impact Crown revenue. The projected royalty owed on the estimated cushion gas volumes across the known gas storage proposals is around $5-6 million if they are permitted under current regulations. This is modest in comparison to the total revenue received from Petroleum royalties, with $123.7 million received from petroleum royalties and energy resource levies in 2024-25 alone.

7 The *Amendment Regulations* give effect to this decision.

Timing and 28-day rule

8 The *Amendment Regulations* will come into force on 27 November 2026, which complies with the 28-day rule.

Compliance

9 The *Amendment Regulations* comply with each of the following:

9.1 the principles of the Treaty of Waitangi;

9.2 the rights and freedoms contained in the *New Zealand Bill of Rights Act 1990* or the *Human Rights Act 1993*;

9.3 the principles and guidelines set out in the *Privacy Act 2020* (if the regulations raise privacy issues, indicate whether the Privacy Commissioner agrees that they comply with all relevant principles);

9.4 relevant international standards and obligations;

9.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

Regulations Review Committee

10 There do not appear to be any grounds for the Regulations Review Committee to draw these regulations to the attention of the House of Representatives.

11 Removing a requirement to pay royalties to incentivise development could be considered inconsistent with ensuring a fair financial return to the Crown for its minerals, which the *Crown Minerals Act 1991* provides for. However, the change is consistent with the overarching purpose of the Act, which includes to promote mining of Crown owned minerals for the benefit of New Zealand. The definition of mining includes the injection of petroleum into a UGS, which will play an important role in providing flexibility for the gas system, for the benefit of New Zealand.

12 I consider the expected benefits of the change significantly outweigh the potential cost to the Crown, and ensures the Crown continues to receive a fair financial return of the gas that is most likely to be extracted and sold.

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Certification by Parliamentary Counsel

13 The *Amendment Regulations* have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Regulatory Analysis

14 A Regulatory Analysis Summary (RAS) was prepared in accordance with the necessary requirements and was submitted at the time the Cabinet Economic Policy Committee approved the removal of the royalty obligation [ECO-26-MIN-0170].

15 The panel considered that the RAS partially meets the quality assurance criteria.

Consistency with principles of responsible regulation

16 A Consistency Accountability Statement (CAS) (Annex One) and Summary of Underpinning Analysis (Annex Two) have been prepared for the *Amendment Regulations*. No inconsistencies with the principles of responsible regulation were identified.

Publicity

17 The Ministry of Business, Innovation and Employment (MBIE) will arrange appropriate notification of the making of the regulations, such as through its industry and iwi newsletters.

Proactive release

18 I intend to proactively release a copy of this paper within 30 business days of decisions being confirmed by Cabinet.

Consultation

19 Officials carried out targeted engagement with the sector, including potential developers of underground gas storage projects, and with all eight iwi of Taranaki[2] on an earlier proposal to encourage gas storage developments by introducing flexibility to the timing of the royalty payment on original gas.

20 Industry stakeholders were generally supportive of measures to reduce the upfront royalty burden, though some considered the initial proposed changes did not go far enough. Industry also raised additional barriers to gas storage developments that cannot be addressed by changes to the royalty regulations. Further engagement with industry will continue to consider what other changes could be made in future to address other barriers.

21 Iwi raised broader concerns about the wider regulatory framework for UGS activities, but were not opposed to the earlier proposal of allowing the royalty payment to be spread over time.

[2] All known gas storage proposals are in the Taranaki region.

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22 MBIE consulted the following agencies during the development of the proposal and the Amendment Regulations: Treasury, the Ministry of Foreign Affairs and Trade, the Ministry for Cities, Environment, Regions and Transport and the Ministry for Regulation. The Department of Prime Minister and Cabinet has been informed.

Recommendations

I recommend that the Cabinet Business Committee:

1 **note** that on 26 August 2026 the Cabinet Economic Policy Committee 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 pressure needed within the reservoir to inject, manage and withdraw the active working gas effectively (cushion gas) [ECO-26-MIN-0170];

2 **note** that the *Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026* will give effect to the decision referred to in paragraph 1 above;

3 **authorise** the submission to the Executive Council of the *Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026*;

4 **note** that *the Crown Minerals (Royalties for Petroleum) Amendment Regulations 2026* come into force on 27 November 2026.

Authorised for lodgement

Hon Shane Jones

Minister for Resources

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Annex One: Consistency Accountability Statement

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Annex Two: Summary of Underpinning Analysis

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