



Submission

**Market governance of the New Zealand Emissions Trading Scheme Discussion document.**

27 February 2023 (FINAL)

**About the Institute**

The McGuinness Institute was founded in 2004 as a non-partisan think tank working towards a sustainable future for Aotearoa New Zealand. Project 2058 is the Institute's flagship project focusing on Aotearoa New Zealand's long-term future. Because of our observation that foresight drives strategy, strategy requires reporting, and reporting shapes foresight, the Institute developed three interlinking policy projects: *ForesightNZ*, *StrategyNZ* and *ReportingNZ*. Each of these tools must align if we want Aotearoa New Zealand to develop durable, robust and forward looking public policies. The policy projects frame and feed into our research projects, which address a range of significant issues facing Aotearoa New Zealand. The nine research projects are: *CivicsNZ*, *ClimateChangeNZ*, *EcologicalCorridorsNZ*, *OneOceanNZ*, *PandemicNZ*, *PublicScienceNZ*, *TacklingPovertyNZ*, *TalentNZ* and *WaterFuturesNZ*.

**About the cover**

This image was taken on the 21<sup>st</sup> of February 2023, flying over the Canterbury Plains

## 1.0 Introduction

The Institute welcomes the opportunity to offer feedback on *Te mana whakahaere māketē o te mahaere bokoboko tukanga Market governance of the New Zealand Emissions Trading Scheme Discussion document*. The Institute would like to thank the Ministry for the Environment (MfE) and the New Zealand Government for undertaking this work and for inviting feedback on this proposal.

### **This document**

The Institute, regrettably, has been unable to provide a full response to this consultation as we are very busy across multiple areas of work. However, due to the significance of what is being consulted on, we wanted to at least provide some general observations and concerns in this space. We hope that this may be of some use. To help provide a reference point for the Institute's work in this area, Appendix 1 includes a full list of our publications that relate to climate reporting.

### **The opportunity**

The proposal provides a specific opportunity to strengthen the governance of the market for New Zealand Units (NZU) and safeguard the scheme against the risks that it faces. In doing so, the proposed adjustments are hoped to ensure that the emissions trading scheme (ETS) is fit for purpose, future-proofed and capable to drive Aotearoa New Zealand toward meeting domestic and international emission reduction commitments.

## 2.0 High-level observations and concerns

### 2.1 ETS should not be the primary emissions reduction tool

The Institute holds concerns about the status of the ETS as the primary mechanism for reducing Aotearoa New Zealand's emissions. Primarily, this is because of the limited scope of the ETS and how unsuccessful it has been in terms of delivering meaningful outcomes to date (the benefits). Furthermore, any limited benefits of the ETS are even more concerning when balanced against the public resources required to manage the ETS market (the costs). For this reason, the Institute believes the purpose of the scheme must be sufficiently transparent and aligned with wider public policy in order for officials and citizens to have confidence that the ETS meets its legal purpose and delivers on a reduction in emissions.

### 2.2 The three I's

The Institute often uses the three I's to analyse a system: institutions, instruments and information. This ensures questions are asked not only about each of the three components or the effectiveness of the linkages between them, but whether there are gaps, conflicts or even double-ups in the system. Using this approach to analyse a system raises the question what new institutions, instruments and information are required and what are no longer needed. It may be that creating a dedicated agency with a clear remit and funding to deliver the targets described in the consultation could bridge the gap between policy intent and on-the-ground activity. The establishment of something like a New Zealand Emissions Reduction Agency (abbreviated as NZERA), along the lines of an expanded EECA (with long-term funding certainty), might help turn existing policy problems into actionable ideas. NZERA could ideally be funded through hypothecated ETS revenues. Further, the success of the NZU market is also heavily dependent on reliable and credible information is credible that flows easily between all stakeholders. Transparency is key toward ensuring that the system operates with integrity and remains fair and inclusive.

### 2.3 Reliance upon offsetting may lead to mitigation deterrence

Though regulation will help reduce risks associated with the NZU market and help improve the reliability and legitimacy of offsets, it may not be the best use of resources. The Institute does not support offsetting as a strategy because it does not address the systematic or structural issues of emissions, or shift societal and economic systems toward decarbonisation, and may lead to mitigation deterrence.

Policymakers need to be pragmatic and understand that offsetting is a short-term fix and may pass on an even bigger problem to future generations. The Institute believes that coordinated and targeted action toward reducing emissions at a source level is urgently required. To achieve this goal of net zero emissions by 2050, we urgently need to pivot toward low (or ideally zero) emission industries – requiring extra attention to support sustainable, productive, inclusive and resilient growth in impacted sectors. In this regard, the Institute is concerned that various industries have not seriously acknowledged the fact that our social and ecological systems (which many operations are built upon) will increasingly be placed under immense pressure from climate change.

Aotearoa New Zealand has a responsibility to future generations, not just in terms of delivering a zero-emissions economy, but also delivering a functioning economy: an economy that is able to provide social and environmental wellbeing for humans, flora and fauna. This is not easy but it is our responsibility to work towards an integrated approach that delivers a solid future. That means making hard decisions today based on quality research.

### 2.4 Regular independent reviews and reports on progress

Every system that we put in place needs to work quickly and effectively. A tried and true mechanism is to review progress regularly and employ independent parties to assess and learn lessons. For this reason we advocate that any changes are based on quality research of the current system. This is not to say that this is not the case here, but we need to work hard to design checks and balances into the system so that we can speed up and target our funds, resources and energies.

## 2.5 Carbon offset information

While this insight may more directly relate to climate reporting entities (as recognised in the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021), there are parallels that could prove useful regarding this consultation. As offsetting remains part of the strategic approach toward meeting domestic emission targets, the Institute deems it necessary for users of offsets to be required to disclose carbon offset information.

Carbon offset information includes information such as what types of offsets are being used (e.g. ETS or some other voluntary mechanism), where they are located (e.g. address and area in New Zealand), who has verified them (e.g. has this been verified as meeting additionality requirements, and if yes, by whom), etc. The Institute is aware that offset disclosure requirements have been included in the External Reporting Board's (XRB's) NZ CS 1 (see Figure x below). In addition to disclosures around greenhouse gas (GHG) emission targets, climate-reporting entities must also include the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes.

### Figure 2: Paragraph 23 (e)(iv) of NZ CS 1 p. 10

Source: External Reporting Board (XRB)<sup>1</sup>

<b>Targets</b>	
23.	An entity must include the following information when describing the targets used to manage climate-related risks and opportunities, and performance against those targets (see paragraph 21(d)):
(a)	the time frame over which the target applies;
(b)	any associated <i>interim targets</i> ;
(c)	the <i>base year</i> from which progress is measured;
(d)	a description of performance against the targets; and
(e)	for each GHG emissions target:
(i)	whether the target is an <i>absolute target</i> or <i>intensity target</i> ;
(ii)	the entity's view as to how the target contributes to limiting global warming to 1.5 degrees Celsius;
(iii)	the entity's basis for the view expressed in 23(e)(ii), including any reliance on the opinion or methods provided by third parties; and
(iv)	<b>the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes.</b>

Many issuers are now reporting that they are net-zero, or becoming carbon-neutral.<sup>2</sup> From the Institute's preliminary review, the language used can be misleading and the offset instruments themselves may not be of sufficient quality. Issuers need to be aware of this so that they are not misled, and so they do not accidentally mislead investors. The Institute has also followed emerging dialogue from the United States about what 'additionality' means and the number of non-verified registers providing low-quality offsets. A useful website that explains this is the Carbon Offset Guide, which states:

#### **Strategies for Avoiding Lower-Quality Offset Credits**

As the prior sections make clear, carbon offset credits are not a typical commodity. Although carbon offset programs provide some assurance, purchasing high quality offset credits is not as simple as buying any 'certified' credit issued by an offset program. It is common to tell credit buyers to 'do their homework,' and indeed such advice is appropriate for organizations with the time and resources to do so. In this section, we describe both thorough and simpler strategies for steering clear of lower-quality offset credits.<sup>3</sup>

The Institute is currently preparing *Working paper 2023/01: Reviewing carbon offset information disclosed in the 2021 and 2022 annual reports of NZSX-listed companies*, which explores this topic further. This should hopefully be published next month.

## 2.6 Keep an eye on the voluntary carbon market

The voluntary carbon market operates outside of mandatory compliance schemes (e.g. the NZ ETS) and therefore lacks the legislative and/or regulatory checks and balances to ensure smooth operation. In this context, carbon credits can be purchased on the voluntary market at the customer's discretion without any regulatory compliance.<sup>4</sup> These are then used to signal an entity's voluntary climate action in the form of 'carbon-neutral' or 'net-zero' commitments, thus enhancing its social licence.

Globally, the voluntary offset market has experienced a boom of popularity and investment over the last few years – the current market value is over US\$2b and estimated to grow to US\$5–30b by 2030.<sup>5</sup> This rapid increase and growth of market value is from an influx of organisations making emission reduction commitments (and therefore entering the market). While this may signal positive climate action, there is growing concern that the voluntary offset market is being easily exploited, used for greenwashing and not delivering promised climate impacts.<sup>6</sup>

Due to the uncertainty and complexity associated with the voluntary market, it is crucial to have a robust and reliable network of information that effectively signals what is and what is not working. Centralising the certification and verification of voluntary carbon offsets will enable better monitoring of the voluntary market through effective feedback loops (as it grows over time). This type of informal leadership will better position a regulatory body to engage early through tweaks and adjustments to the system when necessary. While this doesn't specifically apply to the consultation, the Institute believes that the reasons behind these adjustments to the ETS mean that lessons are being learnt and similar processes should be applied to the voluntary carbon market.

## **2.7 Sequestration**

The Institute understands that planting forests is an attractive option as it provides flexibility for meeting domestic targets and international commitments and no key player will complain. If planting forests is going to continue to be used for offsets, then it should be done in a way that provides nature-based solutions and strengthens biodiversity – where long-term carbon storage is a positive externality rather than the sole purpose of planting. We wish to reiterate the concern that the continued reliance on carbon sinks to bring down net emissions does not address and/or motivate structural and systematic changes that drive decarbonisation. Policymakers need to be pragmatic and understand that offsetting and carbon capture through forests is a short-term solution and simply passes on an even bigger problem to future generations. Priority of investment should be given to active system change and dynamic innovation (at a macro level with flow-on effects to agriculture), which should be funded through ETS hypothecation. The same should also apply (at a more specific and target level) to agriculture – funded through the levies.

## **2.8 Retain the opportunity to establish a carbon tax in the future**

Given the reservations and contention surrounding the challenges/opportunities of the ETS, the Institute still considers that a carbon tax would be a more appropriate mechanism for reducing emissions at the pace and scale required. A carbon tax, we believe, would be cheaper, simpler (easier for citizens to understand), easier to alter (by changing the tax rate), easier to target to specific audiences, easier to stage if need be (e.g. by changes in tax rates and by applying to different emitters) and the funds collected can be targeted for specific purposes (e.g. R&D grants made available to carbon tax payers). Operationally, a carbon tax will require independently verifiable carbon emissions data.

## 3.0 Response to the Government's Topic Proposals

In this section, the Institute comments on the preferred proposed options relating to each of the four topics

### 3.1 Overall response

Generally, the Institute supports the proposed direction of treating NZUs as a financial product and capturing the NZU market within the financial legislation framework. Through such alignment, there is far better potential for a more efficient and effective NZU market. This is primarily because of the existing financial regulatory infrastructure (being the FMA) being well versed in providing robust advice and oversight of similar markets. The Institute believes that incorporating the NZU market into the financial system will safeguard and future-proof the NZU market against the risks (as identified in the consultation document).

On this though, the Institute would like to reiterate the importance of establishing regular review periods to identify what is and what is not working. We believe that the proposed move will enable more swift adjustments to the system when necessary.

### 3.2 Topic 1: Regulating the NZU market based on financial legislation

This topic aims to ensure that the NZU market trades with integrity, functions efficiently, promotes confidence and addresses the risks of misconduct.

#### Summary of options:

#### 1. Status quo: Crimes Act 1961 (CA).

Currently, there are key protections under the CA with penalties applying for crimes. However, the CA insider trading provisions are limited and there would be no prohibition on market manipulation in the NZU market.

#### 2. Financial Markets Conduct Act 2013 (FMC Act) with suitable modifications.

This would involve applying market manipulation prohibitions and offences like those in the FMC Act to the NZU market. Additionally, in principle, an optional centralized exchange has been agreed to. Finally, market operators would be required to hold a license and comply with obligations.

#### 3. CA and market manipulation prohibitions.

This would use key protections in the CA while prohibiting market manipulation with similar FMC Act provisions. This option would not require a market operator to monitor for insider trading or market manipulation.

#### Government preference: Option 2

The Institute agrees with the Government's preference – option 2.

### 3.3 Topic 2: Regulating NZU financial advice, transactional and/or custodial services

The Government's objective under this topic is to ensure all persons who engage with the NZU market have access to quality advice about trading NZUs. They also want to ensure that services relating to NZUs are provided with appropriate care, diligence and skill.

#### Summary of options:

#### 1. Status quo: Existing legislation.

Currently the NZU market is partially covered by four Acts, including the Fair Trading Act 1986, Forests Act 1949, FMC Act and Financial Service Providers Act 2008, which together create a complex framework for regulating advice. Additionally, private remedies exist independently from legislation, such as a claim for a breach of contract.

**2. Regulating NZU financial advice, transactional and/or custodial services.**

Under this option persons who make recommendations or give opinions about the trade of NZUs would be regulated similarly to the provision of financial advice under the FMCA. Advice providers would be obligated to comply with a code of conduct, meet standards of competence, operate under a license from the FMA and belong to a dispute-resolution scheme. Additionally, fees and levies would be payable.

**3. FMC Act wholesale client settings.**

This option assumes that a larger proportion of those receiving NZU financial advice would have a higher degree of experience than clients who receive advice about other financial products. Therefore, this option proposes that wholesale client settings apply for all NZU market users. This involves registration and compliance with some statutory duties but does not require licensing.

**Government preference: Option 2**

The Institute agrees with the Government's preference – option 2.



### 3.4 Topic 3: Improved transaction reporting

The Government's objective here is to increase transparency in the market and address the information asymmetry that is currently evident in the NZU market.

#### **Summary of options:**

##### **1. Status quo: current reporting obligations.**

The NZETR collects certain information about transactions which is reported to the Environmental Protection Authority. However, currently price and value information are not collected. If made visible this information could be useful for market efficiency and investigating market conduct.

##### **2. Improved transaction reporting.**

This would involve the implementation of additional reporting fields on the price or the total value of the transaction, whether the trade is between more than one person and the primary reason is for the trade/holding an account. This additional collection would provide greater access to useful data.

##### **3. Full transaction reporting.**

This would involve adding additional reporting fields that replicate many of the prescribed wire transaction reporting obligations of the Anti-Money Laundering and Counter-Terrorism Financing Act 2009 (AM/CFT Act).

#### **Government preference: Option 2**

The Institute agrees with the Government's preference – option 2.

### **3.5 Topic 4: Applying the AML/CFT Act framework**

No further AML/CFT obligations will apply to the NZU market beyond what already applies. The Government did not consider other options to the status quo but put forward this topic as a reminder of the current AML/CFT obligations.

No comment.

## Appendix 1: List of McGuinness Institute reports that discuss climate reporting

Year	Month	Type of Publication	Publication Title	Project	Link
2022	Oct	Working paper	Working Paper 2022/15 – Reviewing Voluntary Reporting Frameworks Mentioned in 2018–2021 Annual Reports from NZSX-listed companies	ReportingNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/11/20221103-0336pm-WP-2022-15.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/11/20221103-0336pm-WP-2022-15.pdf</a>
2022	Sep	Working paper	Working Paper 2022/14 – Reviewing TCFD information in 2017–2021 reports of NZSX-listed companies	ReportingNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/11/20221117-230pm-WP-2022-14.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/11/20221117-230pm-WP-2022-14.pdf</a>
2022	Jun	Working paper	Working Paper 2022/06 – Strategy Maps: Copies of All Strategy Maps Found in Government Department Strategies in Operation as at 31 December 2021	StrategyNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05</a>
2022	Jul	Working paper	Working Paper 2022/05 – Best Practice: Guidance for policy analysts preparing government department strategy documents	StrategyNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/07/20220711-0444pm-Best-Practice-black.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/07/20220711-0444pm-Best-Practice-black.pdf</a>
2022	Jul	Working paper	Working Paper 2022/03 – Scoring Tables Collating and Ranking Government Department Strategies in Operation as at 31 December 2021	StrategyNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/07/20220708-1113am-WP-2022-03-Scoring-Tables- converted.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/07/20220708-1113am-WP-2022-03-Scoring-Tables- converted.pdf</a>

2022	Jul	Working paper	Working Paper 2022/02 – Complete Lists of Government Department Strategies Between 1 July 1994 and 31 December 2021	StrategyNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/08/20220819-3pm-WP-2022-02-Lists.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/08/20220819-3pm-WP-2022-02-Lists.pdf</a>
2022	Aug	Submission	Reclassifying stewardship land on the West Coast	StrategyNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/08/20220823-McGuinness-Institute-Submission-Reclassifying-stewardship-land-on-the-West-Coast.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/08/20220823-McGuinness-Institute-Submission-Reclassifying-stewardship-land-on-the-West-Coast.pdf</a>
2022	Jul	Submission	Water Services Entities Bill – Three Waters Reform Programme	StrategyNZ, ReportingNZ, ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/09/20220906-McGuinness-Submission-Water-Services-Entities-Bill.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/09/20220906-McGuinness-Submission-Water-Services-Entities-Bill.pdf</a>
2022	Jun	Submission	Te mahere urutaunga ā motu (tuhinga hukihuki): Draft National Adaptation Plan and the Adapt and Thrive – Managed Retreat document	ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/06/20220616-McGuinness-NAP-submission-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/06/20220616-McGuinness-NAP-submission-FINAL.pdf</a>
2022	May	Submission	Submission in Response to People and place: Ensuring the wellbeing of every generation: Consultation on the topic for the Ministry for the Environment’s Long-term Insights Briefing 2022	StrategyNZ, ReportingNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220523-0507pm-Submission-People-and-place.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220523-0507pm-Submission-People-and-place.pdf</a>
2022	May	Submission	Submission in Response to Strategy and Metrics and Targets Consultation Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)	StrategyNZ, ReportingNZ, ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220531-2pm-XRB-submission-by-McGuinness-DRAFT.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220531-2pm-XRB-submission-by-McGuinness-DRAFT.pdf</a>
2022	May	Working paper	Discussion Paper 2022/02 – New Zealand King Salmon	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220525-330pm-NZKS-.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220525-330pm-NZKS-.pdf</a>

			<i>Case Study: A financial reporting perspective</i>		
2022	May	<i>Working paper</i>	<i>Working Paper 2022/10 – New Zealand King Salmon key documents 2012–2022</i>	<i>OneOceanNZ, ReportingNZ, ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220513-0353pm-WP-2022-10-NZKS.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220513-0353pm-WP-2022-10-NZKS.pdf</a>
2022	May	<i>Discussion paper</i>	<i>Discussion Paper 2022/01 – Future for Local Government Workshop</i>	<i>ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/06/20220601-5pm-Future-for-Local-Government-Workshop-paper.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/06/20220601-5pm-Future-for-Local-Government-Workshop-paper.pdf</a>
2022	Apr	<i>Submission</i>	<i>Proposed changes to regulations for the New Zealand Emissions Trading Scheme 2022</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220503-Submission-Proposed-changes-to-regulations-for-the-New-Zealand-Emissions-Trading-Scheme-202210.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/05/20220503-Submission-Proposed-changes-to-regulations-for-the-New-Zealand-Emissions-Trading-Scheme-202210.pdf</a>
2022	Mar	<i>Submission</i>	<i>Improving Aotearoa New Zealand’s environmental reporting system</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/03/20220230-McGuinness-MfE-Submission-Improving-Aotearoa-New-Zealand-FINAL-FOR-WEBSITE.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/03/20220230-McGuinness-MfE-Submission-Improving-Aotearoa-New-Zealand-FINAL-FOR-WEBSITE.pdf</a>
2022	Mar	<i>Submission</i>	<i>Te Ara Paerangi – Future Pathways Green Paper</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/03/20220225-4pm-McGuinness-Future-Pathways-Green-Paper-Submission-Final-For-website.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/03/20220225-4pm-McGuinness-Future-Pathways-Green-Paper-Submission-Final-For-website.pdf</a>
2021	Dec	<i>Working paper</i>	<i>Working Paper 2021/04 – Reviewing Voluntary Reporting Frameworks mentioned in 2018 – 2020 Annual Reports (work in progress)</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211210-430pm-WP-2021-04.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211210-430pm-WP-2021-04.pdf</a>
2021	Dec	<i>Working paper</i>	<i>Working Paper 2021/09 – Analysis of Climate Reporting in the Public and Private Sectors</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211210-445pm-WP-2021-09.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211210-445pm-WP-2021-09.pdf</a>

2021	Nov	Working paper	Working Paper 2021/15 – Looking for a taxonomy for Aotearoa New Zealand’s oceans	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0301pm-WP-2021-15-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0301pm-WP-2021-15-Interactive.pdf</a>
2021	Nov	Working paper	Working Paper 2021/14 – The Role of Water Temperature in Climate Change Policy – A New Zealand King Salmon Case Study	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0253pm-WP-2021-14-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0253pm-WP-2021-14-Interactive.pdf</a>
2021	Oct	Discussion paper	Discussion Paper 2021/04 – An Accounting Dilemma: Does a commitment to purchase offshore carbon credits create a requirement to disclose that obligation in the financial statements of the New Zealand Government?	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220202-0947am-DP-2021-04-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220202-0947am-DP-2021-04-Interactive.pdf</a>
2021	Oct	Working paper	Working Paper 2021/13 – Analysis of Priorities mentioned in Minister of Finance Budget speeches since 2006	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0248pm-WP-2021-13-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0248pm-WP-2021-13-Interactive.pdf</a>
2021	Sep	Working paper	Working Paper 2021/11 – Analysis of Donations and Political Donations in 2020 Annual Reports by NZSX-listed companies	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0245pm-WP-2021-11-Interactive-1.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2022/02/20220201-0245pm-WP-2021-11-Interactive-1.pdf</a>
2021	Jul	Submission	Submission in response to the International Financial	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20210808-McGuinness-Institute-NZ-Submission-in-response-to-IFRS-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20210808-McGuinness-Institute-NZ-Submission-in-response-to-IFRS-FINAL.pdf</a>

			<i>Reporting Standards Foundation (IFRS)</i>		
2021	Jun	<i>Working paper</i>	<i>Working Paper 2021/06 – Reviewing TCFD information in 2017–2020 Annual Reports of NZSX-listed companies</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211214-1207pm-WP-2021-06-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/20211214-1207pm-WP-2021-06-Interactive.pdf</a>
2021	May	<i>Submission</i>	<i>Submission on the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/10/20210528-FINAL-25-June-Financial-Sector-Amendment-Bill-Submission-McGuinness-Institute-5-Oct-1.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/10/20210528-FINAL-25-June-Financial-Sector-Amendment-Bill-Submission-McGuinness-Institute-5-Oct-1.pdf</a>
2021	Mar	<i>Submission</i>	<i>Submission on the He Pou a Rangi Climate Change Commission 2021 Draft Advice for Consultation</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/06/20210328-McGuinness-CCC-Submission-updated-cover.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/06/20210328-McGuinness-CCC-Submission-updated-cover.pdf</a>
2020	Jun	<i>Working paper</i>	<i>Working Paper 2020/05 – Reviewing Voluntary Reporting Frameworks mentioned in 2019 Annual Reports</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20210722-10.22am-WP-2020-05-Interactive-2.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20210722-10.22am-WP-2020-05-Interactive-2.pdf</a>
2020	Jun	<i>Working paper</i>	<i>Working Paper 2020/04 – Analysis of Climate Reporting in the Public and Private Sectors</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20210729-9.01am-WP-2020-04-Interactive-2.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20210729-9.01am-WP-2020-04-Interactive-2.pdf</a>
2020	Jun	<i>Working paper</i>	<i>Working Paper 2020/03 – Reporting Requirements of Five Types of Entities</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/09/20210914-2.55pm-WP-2020-03-Interactive.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/09/20210914-2.55pm-WP-2020-03-Interactive.pdf</a>
2020	May	<i>Working paper</i>	<i>Working Paper 2020/02 – The Role of a Directors' Report: An analysis of the legislative requirements of selected Commonwealth countries</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20200611-WP-2020-02-Interactive-3-.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/08/20200611-WP-2020-02-Interactive-3-.pdf</a>
2019	Dec	<i>Submission</i>	<i>Submission on Climate-related financial disclosures:</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2020/02/20200226-FINAL-McGuinness-Institute-Climate-related-financial-disclosures-Submission.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2020/02/20200226-FINAL-McGuinness-Institute-Climate-related-financial-disclosures-Submission.pdf</a>

			<i>Understanding your business risks and opportunities related to climate change</i>		
2019	Dec	Survey	<i>Survey Insights: An analysis of the 2019 Task Force on Climate-related Financial Disclosures (TCFD) survey</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/12/20191218-Survey-Insights-An-analysis-of-the-2019-TCFD-survey.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/12/20191218-Survey-Insights-An-analysis-of-the-2019-TCFD-survey.pdf</a>
2019	Oct	Discussion paper	<i>Discussion Paper 2019/01 – The Climate Reporting Emergency: A New Zealand case study</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/11/20191114-Discussion-Paper-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/11/20191114-Discussion-Paper-FINAL.pdf</a>
2019	Oct	Blog post	<i>TCFD Workshops: Practical steps for implementation (Auckland and Wellington)</i>	ReportingNZ	<a href="https://www.mcguinnessinstitute.org/reportingnz/tcf-d-workshops-practical-steps-for-implementation/">https://www.mcguinnessinstitute.org/reportingnz/tcf-d-workshops-practical-steps-for-implementation/</a>
2019	Sep	Think piece	<i>Think Piece 32 – Exploring Ways to Embed Climate Reporting in the Existing Framework</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/10/20191014-Think-Piece-32-.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/10/20191014-Think-Piece-32-.pdf</a>
2019	Sep	Working paper	<i>Working Paper 2019/06 – Analysis of Climate Change Reporting in the Public and Private Sectors</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/10/20191003-Working-Paper-201906-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/10/20191003-Working-Paper-201906-FINAL.pdf</a>
2019	Oct	Working paper	<i>Working paper 2019/05 – Reviewing Voluntary Reporting Frameworks Mentioned in 2017 and 2018 Annual Reports</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2020/06/20191003-Working-paper-2019.05-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2020/06/20191003-Working-paper-2019.05-FINAL.pdf</a>
2019	Aug	Submission	<i>Oral Submission to Select Committee on Climate Change Response (Zero Carbon) Amendment Bill</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/09/20190905-McGuinness-Institute-Oral-Submission-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/09/20190905-McGuinness-Institute-Oral-Submission-FINAL.pdf</a>
2019	Jul	Submission	<i>Submission to Ministry for the Environment on the Climate</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2019/09/20190912-Climate-Change-Response-Zero-Carbon-Amendment-Bill-Submission-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2019/09/20190912-Climate-Change-Response-Zero-Carbon-Amendment-Bill-Submission-FINAL.pdf</a>



			<i>Change Response (Zero Carbon) Amendment Bill</i>		
2018	Oct	<i>Think piece</i>	<i>Think Piece 30 – Package of Climate Change Reporting Recommendations</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/11/20181108-Think-Piece-30-%E2%80%93-Package-of-Climate-Change-Reporting-Recommendations.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/11/20181108-Think-Piece-30-%E2%80%93-Package-of-Climate-Change-Reporting-Recommendations.pdf</a>
2018	Sep	<i>Working paper</i>	<i>Working Paper 2018/04 – Legislation Shaping the Reporting Framework: A compilation</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181010-Working-Paper-2018%E2%80%A204-%E2%80%93-5.30-pm.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181010-Working-Paper-2018%E2%80%A204-%E2%80%93-5.30-pm.pdf</a>
2018	Jul	<i>Submission</i>	<i>Submission to Ministry for the Environment on the Zero Carbon Bill</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/07/20180723-McGuinness-Institute-submission-on-the-Zero-Carbon-Bill.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/07/20180723-McGuinness-Institute-submission-on-the-Zero-Carbon-Bill.pdf</a>
2018	Jul	<i>Submission</i>	<i>Submission to Productivity Commission on a Low-emissions Economy</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/07/20180724-Submission-to-the-Productivity-Commission-on-Low-emissions-Economy.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/07/20180724-Submission-to-the-Productivity-Commission-on-Low-emissions-Economy.pdf</a>
2018	Jul	<i>Working paper</i>	<i>Working Paper 2018/03 – Analysis of Climate Change Reporting in the Public and Private Sectors</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181029-Working-Paper-2018%E2%80%A203-cover-4.30-pm.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181029-Working-Paper-2018%E2%80%A203-cover-4.30-pm.pdf</a>
2018	May	<i>Submission</i>	<i>Submission to the Tax Working Group on the Future of Tax</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/05/20180510-Tax-Working-Group-Submission-McGuinness-Institute-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/05/20180510-Tax-Working-Group-Submission-McGuinness-Institute-FINAL.pdf</a>
2018	Mar	<i>Working paper</i>	<i>Supporting Paper 2018/01 - Methodology for Working Paper 2018/01</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2021/07/20210719-Supporting-Paper-2018-01-Methodology-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2021/07/20210719-Supporting-Paper-2018-01-Methodology-FINAL.pdf</a>
2018	Mar	<i>Working paper</i>	<i>Working Paper 2018/01 – NZSX-listed Company Tables</i>	<i>ReportingNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181008-Working-Paper-201801-%E2%80%93-Final-WEB.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181008-Working-Paper-201801-%E2%80%93-Final-WEB.pdf</a>
2018	Mar	<i>Survey</i>	<i>Users’ Survey: Attitudes of interested parties towards Extended External Reporting (published in collaboration with the XRB), 29 May–21 August 2017</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180312-Users-Survey-Results-Booklet-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180312-Users-Survey-Results-Booklet-FINAL.pdf</a>

2018	Mar	Survey	<i>Preparers' Survey: Attitudes of the CFOs of significant companies towards Extended External Reporting</i> (published in collaboration with the XRB), 10 April–3 July 2017	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180312-Preparers-Survey-Results-Booklet-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180312-Preparers-Survey-Results-Booklet-FINAL.pdf</a>
2018	Mar	Survey	<i>Survey Highlights: A summary of the 2017 Extended External Reporting Surveys</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180313-ReportingNZ-Project-Survey-Highlights-Final-3.50-pm.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/03/20180313-ReportingNZ-Project-Survey-Highlights-Final-3.50-pm.pdf</a>
2018	Mar	Survey	<i>Survey Insights: An analysis of the 2017 Extended External Reporting Surveys</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181008-Survey-Insights-FINAL-WEB.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/10/20181008-Survey-Insights-FINAL-WEB.pdf</a>
2017	Dec	Submission	<i>Submission on NZX Listing Rule Review</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2017/12/20171220-NZX-Listing-Review-Submission-Final.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2017/12/20171220-NZX-Listing-Review-Submission-Final.pdf</a>
2017	Apr	Submission	<i>Submission on disclosing non-GAAP financial information</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20170424-Submission-on-Disclosure-of-non-GAAP-financial-information-final-1.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20170424-Submission-on-Disclosure-of-non-GAAP-financial-information-final-1.pdf</a>
2016	Oct	Submission	<i>Submission on the NZX Corporate Governance Best Practice Code</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20161125-NZX-McGuinness-Institute-Submission-FINAL.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20161125-NZX-McGuinness-Institute-Submission-FINAL.pdf</a>
2014	Apr	Submission	<i>Submission on the Environmental Reporting Bill</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2020/01/20140424-McGuinness-Institute-Submission-on-the-Environmental-Reporting-Bill.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2020/01/20140424-McGuinness-Institute-Submission-on-the-Environmental-Reporting-Bill.pdf</a>
2013	Jul	Submission	<i>Submission to the International Integrated Reporting Councils' (IIRC) Consultation Draft of the International Framework</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20130716-McGuinness-Institute-Submission-on-Consultation-Draft.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20130716-McGuinness-Institute-Submission-on-Consultation-Draft.pdf</a>
2013	Feb	Submission	<i>Submission on the Public Finance (Fiscal Responsibility) Amendment Bill 2012</i>	ReportingNZ and ClimateChangeNZ	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20130218-Public-Finance-fiscal-responsibility-Ammendment-Bill-2012-McGuinness-Institute.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20130218-Public-Finance-fiscal-responsibility-Ammendment-Bill-2012-McGuinness-Institute.pdf</a>

2011	Dec	<i>Submission</i>	<i>Submission on the International Integrated Reporting Committee Discussion Paper</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/SustainableFutureInstitute_IIRC_Submission.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/SustainableFutureInstitute_IIRC_Submission.pdf</a>
2011	Jan	<i>Survey</i>	<i>Integrated Annual Report Survey of New Zealand's Top 200 Companies: Exploring Responses from Chief Financial Officers on Emerging Reporting Issues</i>	<i>ReportingNZ and ClimateChangeNZ</i>	<a href="https://www.mcguinnessinstitute.org/wp-content/uploads/2018/11/20180410-One-integrated-report.pdf">https://www.mcguinnessinstitute.org/wp-content/uploads/2018/11/20180410-One-integrated-report.pdf</a>

## Appendix 2: Consultation questions

### Topic 1: Regulating the NZU market based on financial legislation

1. What are your views on the proposed insider-trading prohibition?
2. In what way could these insider trading obligations impact any other forms of legitimate conduct?
3. What other types of insider trading should be prohibited?
4. What information should be defined as 'government policy' in the context of insider trading?
5. What other type of information should be considered 'material non-public information' in the context of insider trading and the NZU market?
6. What are your views on the proposed market manipulation prohibition?
7. In what way could these market manipulation obligations impact any other forms of legitimate conduct?
8. The FMA, as the regulator of financial markets, could oversee and regulate the NZU market where we propose similar regulations would apply. What are your views on the FMA having regulatory responsibility over insider trading and market manipulation?
9. Do you consider it appropriate to expand the FMA's remit to include investigation and enforcement responsibilities to the matters set out in topic 1?
10. Do you agree that operators of facilities for trading NZUs that would meet the definition of a 'financial product market' should be required to be licensed, and to incur and comply with associated costs and obligations?
11. As a market operator who currently does, or would, provide a platform for the trade of NZUs, what is the impact of a licensing requirement on your business (eg, costs and obligations)?
12. If you plan to buy and sell NZUs, how would access to a licensed market platform affect your willingness to participate in the NZU market?
13. For stakeholders, what would be the costs and benefits to your business associated with buying and selling NZUs on a licensed market platform with market rules (eg, new administrative costs, trustworthy market operators)?
14. If you plan to buy and sell NZUs, would a fee to trade on a licensed market platform affect your willingness to participate in the NZU market?
15. Do you have any comments on the impact of the proposals in this topic, given differences in structure between NZU markets and financial markets?
16. What do you expect from the Government in terms of disclosure obligations, including the content of the disclosure and the process of disclosing information?
17. Do you prefer the alternative options (status quo: Crimes Act 1961 or option three: Crimes Act and market manipulation prohibitions) to the preferred option? If so, why? And if so, please describe the aspects that you see as particularly advantageous to achieve the stated policy objectives.

18. Do you have any views on whether market conduct (insider trading and market manipulation) should proceed as a priority to, or instead of, creating a licensing framework for NZU market operators?

19. Can you suggest alternative options that would achieve the stated policy objectives?

20. Do you consider a centralised clearing and settlement system necessary or desirable to manage counterparty, credit and other settlement risks for NZU markets if there are one or more licensed market operators? Why or why not?

21. What are your views on whether it should be limited to on-market transactions or should be available for over-the-counter transactions?

22. How would the availability of a centralised clearing party benefit and/or impact your business in terms of managing credit and counterparty risk?

**Topic 2: Regulating NZU financial advice, transactional and/or custodial services**

23. Can you suggest alternative options that would achieve the stated policy objectives?

24. What are your views on whether these exclusions should, in principle, apply to NZU financial advice? If not appropriate, what modifications or changes do you think are necessary?

25. Do you agree that the 'NZU financial advice' described in the section 'What is intended to be 'NZU financial advice'' is the type of advice that should be regulated? (Table 11 provides examples.)

26. Do you agree that the advice excluded from the proposed definition of NZU financial advice is the type of advice that should not be regulated? (Table 12 provides examples.)

27. Do you consider that applying the wholesale client definition to NZU financial advice is appropriate? Why or why not?

28. What changes (if any) would you have to make to your business to accommodate the difference in the obligations between these two classes of clients?

29. What are the expected costs and benefits to your business of the proposed new obligations in relation to regulating NZU financial advice, transactional and/or custodial services?

30. What are your views about requiring a minimum qualification requirement to help improve the quality of NZU financial advice, given the types of activities involved in that advice?

31. Are the costs of licensing and other obligations under the FMC Act appropriate for NZU financial advice?

32. Are there likely to be impacts on availability of advice? For example, if you are an NZU adviser, would you consider choosing not to provide NZU advice to avoid the burden of licensing?

33. We have received complaints of NZETR account operators withholding access to NZUs from account holders. As an account holder, do you think there is a risk of NZETR account operators withholding such access? Regulating NZETR account operators may not resolve this type of issue; however, is it reasonable for NZETR operators to be regulated under a client money and property services framework to ensure transparency and integrity when managing NZUs?

34. Is it appropriate to apply client money and property service regulation to persons other than account operators in the NZ ETS? If so, what client money and property service obligations are appropriate in relation to NZUs?

35. Are the existing protections (to the extent applicable) under the FTA and Trusts Act 2019 (including obligations for those holding money or property on trust to act honestly and in good faith, and use powers for a proper purpose) sufficient to address the risks in the NZU market?

36. If applied, would your business be covered by the definition of custodial service or otherwise by the meaning of client money or property service?

37. If you are currently an account operator in the NZETR, how would you be impacted (if at all) by the proposal to regulate client money or property services?

**Topic 3: Improved transaction reporting**

38. How would the additional transaction-reporting requirements impact your business?

39. How would publishing more market information about NZU prices help you understand overall supply and demand conditions in the NZU market?

**Topic 4: Applying the AML/CFT Act framework**

40. How can we support you to better understand your AML/CFT obligations?

41. Are the current AML/CFT settings that apply to the NZU market appropriate to safeguard against risks of money laundering and the financing of terrorism? If not, how could they be improved?

## Endnotes

---

<sup>1</sup> External Reporting Board (XRB). (14 December 2022). Aotearoa New Zealand Climate Standard 1 Climate-related Disclosures (NZ CS1). Retrieved 1 February 2023 from <https://www.xrb.govt.nz/dmsdocument/4770>

<sup>2</sup> See Mcilraith, B. (14 November 2021). The most carbon-conscious companies and what they are doing to reduce emissions. Stuff. Retrieved 30 October 2022 from [www.stuff.co.nz/business/126924574/the-most-carbonconscious-companies-and-what-they-are-doing-to-reduce-emissions](http://www.stuff.co.nz/business/126924574/the-most-carbonconscious-companies-and-what-they-are-doing-to-reduce-emissions)

<sup>3</sup> See Carbon Offset Guide. (n.d.). Strategies for Avoiding Lower-Quality Offset Credits. Retrieved 30 October 2022 from <https://www.offsetguide.org/avoiding-low-quality-offsets>

<sup>4</sup> See Sheppard, B. (17 October 2022). Carbon offsetting: What businesses need to know. Walker Morris. Retrieved 6 March 2023 from <https://www.walkermorris.co.uk/in-brief/carbon-offsetting-what-businesses-need-to-know>

<sup>5</sup> See Toitū. (22 May 2022). Explainer Series | A comparison of voluntary carbon markets and the New Zealand emissions trading scheme. Retrieved 6 March 2023 from <https://www.toitu.co.nz/news-and-events/news/carbon-credits/voluntary-carbon-markets-and-the-new-zealand-emissions-trading-scheme-a-comparison>

<sup>6</sup> See Tucker, F. (January 31 2023). The Voluntary Carbon Market: Unregulated and Useless? Impakter. Retrieved 6 March 2023 from <https://impakter.com/the-voluntary-carbon-market-unregulated-and-useless>