



**New Zealand House of Representatives**  
Te Whare Māngai o Aotearoa

**Petitions Committee**

Komiti Whiriwhiri Take Petihana

54th Parliament  
February 2025

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**Petition of Deirdre Kent on behalf of  
Degrowth Aotearoa New Zealand (DANZ):  
Investigate rationing fossil fuel use with  
Tradeable Energy Quotas**

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Presented to the House of Representatives  
by Greg O'Connor, Chairperson

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# Petition of Deirdre Kent on behalf of Degrowth Aotearoa New Zealand (DANZ)

## Recommendation

The Petitions Committee has considered the petition of Deirdre Kent on behalf of Degrowth Aotearoa New Zealand (DANZ)—Investigate rationing fossil fuel use with Tradable Energy Quotas—and recommends that the House take note of its report.

## Request for investigation of Tradable Energy Quotas

The petition was presented to the House on 12 December 2023. It requests:

That the House of Representatives investigate an energy rationing scheme such as Tradable Energy Quotas (TEQs), which we believe could address both potential shortages of fossil fuels and the climate emergency; and note that 163 people have signed similar petitions.

## Comments from the petitioner

Degrowth Aotearoa New Zealand (DANZ) describes itself as a public interest group working to enable collective wellbeing within ecological limits. It has a particular focus on reducing the impacts of climate change and fairly sharing natural resources. Degrowth is a global movement involving activists and researchers. The petitioner asks that Parliament investigate the use of Tradable Energy Quotas (TEQs) in New Zealand.

## How TEQs work

The concept of TEQs was invented by Dr David Fleming in 2007.<sup>1</sup> It is a system designed to reduce consumption of carbon-intensive energy. It has a dual purpose of preparing for shortages and reducing emissions. The key principles are as follows:

- TEQs are measured in units.
- When a person buys fuel or energy, the appropriate number of TEQ units are deducted from their account, in addition to any monetary payment for the fuel or energy. For example, refuelling a car might cost two TEQ units and \$80.
- Every adult is guaranteed an equal and free entitlement of TEQ units each week.
- Organisations bid for their units in a weekly tender or auction.
- All fuels and energies have a different “carbon rating” in units. One unit represents one kilogram of carbon dioxide (or equivalent in other greenhouse gases) released when the energy is used.
- If an individual uses less than their TEQ unit entitlement they can sell their surplus. Equally, if they need more units they can buy them. Units are set at a national price that fluctuates based on demand.

<sup>1</sup> More information about TEQs and Dr Fleming’s work is on the [Fleming Policy Centre website](#).

- A country sets the total number of units available in a TEQ budget, which reduces each year. This TEQ budget is set by an independent body, whose purpose is to support the country's prosperity while reducing carbon consumption.

## **Benefits of TEQs for New Zealand**

The petitioner told us that one of the benefits of the TEQ system is that it is largely self-regulating. DANZ said that TEQs establish a broad policy so that individuals and organisations can determine their own way of using the system. The reducing TEQ budget is designed to give the country time to adapt to restrictions on carbon-energy use.

DANZ warned us of the world's rapidly declining oil fields and said that now is the time to start planning for a world where fossil fuels are scarce. New Zealand is dependent on imported petrol and diesel and, therefore, is more vulnerable to supply chain disruptions. We heard that this was seen on a smaller scale in winter 2024 when fuel supplies could not reach the Chatham Islands and rationing was briefly introduced.

The agriculture sector is the largest emitter of greenhouse gases in New Zealand, accounting for about half the total. This includes powering machinery, transporting livestock and goods, and producing fertilisers and pesticides. As an example of how TEQs would affect the agriculture sector, the petitioner's proposal suggested that companies manufacturing fertiliser would need to pay for TEQs for the fossil fuels, such as oil or natural gas used to manufacture the fertiliser. This would result in a slightly higher selling price to the customer for the finished product. However, customers would not have to sacrifice TEQ units when they purchased the fertiliser. This would be similar for all industries as long as the purchased goods were not being used for carbon-emitting activities.

DANZ was critical of the Emissions Trading Scheme (ETS). The petitioner noted that New Zealand's gross emissions have declined, but not at the rate needed to reach targets set at the Paris Agreement in 2016.<sup>2</sup> The petitioner argued that for price-based schemes, such as the ETS or a carbon tax, prices high enough to be effective at reducing emissions will not be politically acceptable. Therefore, DANZ thinks that a volume-based system that involves everyone should be considered.

## **Comments from the Ministry for the Environment**

The Ministry for the Environment | Manatū Mō Te Taiao outlined ongoing work to use less fossil fuels. It told us about New Zealand's commitments to reducing emissions. They include reducing net greenhouse gas emissions to 50 percent below gross 2005 levels by 2030, and having net zero greenhouse gas emissions by 2050. There are separate domestic targets for biogenic methane emissions.

## **NZ ETS as the main way to reduce emissions**

The Emissions Trading Scheme (ETS) was introduced to New Zealand in 2008. Businesses are required to pay emission units (also known as NZUs) when they emit greenhouse gases. Therefore, emissions come at a cost and less polluting activities are rewarded. The

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<sup>2</sup> Information about the Paris Agreement is on the [United Nations website](#).

emissions units are tradable, and mean businesses can adapt to changing domestic and international circumstances. All areas of the economy are covered apart from agriculture. The ministry commented that the Government currently has no intention of replacing the NZ ETS and that there is currently no active policy work on pricing agricultural emissions.

### **Previous consideration of quota schemes**

The ministry told us that the previous Government had considered a tradable methane quota system, not dissimilar to TEQs but specifically for agricultural methane emissions. It explained that, as the petitioner mentioned, the benefit of a quota system is reducing emissions to a predetermined level and incentivising farmers to meet allocated quotas, rather than cost incentives. However, the previous Government found that a tradable methane quota system would be too complex and costly to administer. There were concerns about the flow-on effects to the economy from capping methane emissions, and potential impacts on beef and dairy production.

We asked for examples of quota schemes in use currently. The ministry mentioned that fishing quotas have long been established and work effectively.

### **Comments from Energy Resources Aotearoa**

Energy Resources Aotearoa, formerly known as Petroleum Exploration and Production Association of New Zealand, is an industry body that advocates on behalf of energy-related companies. Its purpose is to promote collaboration across the energy sector through and beyond the transition to net zero emissions by 2050. The organisation strongly opposes the use of TEQs in New Zealand.

Energy Resources Aotearoa provided a list of reasons why it believes TEQs would not work in New Zealand. They include that the scheme is not compatible with the ETS, that it could encourage a black market in energy consumption, and it could destabilise the economy.

The industry body sees New Zealand's best way to tackle climate change as through economic growth. It stated that "green growth" and a diverse energy supply will be needed to deal with diminishing fossil fuel supplies and keep energy affordable. It provided the example of fuel instability due to natural gas shortages over the 2024 winter, which caused wholesale power prices to spike. Energy Resources Aotearoa advocates more exploration and investment in New Zealand natural gas over imports such as coal.

### **Our response to the petition**

We thank Degrowth Aotearoa New Zealand for bringing to our attention this system of managing emissions and distributing energy resources. We share the organisation's concern about diminishing global fossil fuel reserves and the challenges New Zealand will face in the future. We support the Government in its emissions targets. We understand the merits of a quota system. However, setting up an alternative to the ETS at this stage could compromise its role in New Zealand honouring its Paris Agreement commitments.

## Appendix

### Committee procedure

The petition was referred to us on 12 December 2023. We met between 7 March 2024 and 20 February 2025 to consider it. We received written submissions and heard oral evidence from the petitioner, the Ministry for the Environment | Manatū Mō Te Taiao, and Energy Resources Aotearoa.

### Committee members

Greg O'Connor (Chairperson)

Carl Bates (to 29 January 2025)

Kahurangi Carter (to 8 May 2024, then from 29 January 2025)

Greg Fleming

Paulo Garcia (from 29 January 2025)

Francisco Hernandez (from 8 May 2024 to 29 January 2025)

### Related resources

The documents we received as evidence in relation to this petition are available on [the Parliament website](#).

A recording of our hearing can be accessed online on [the Parliament website](#).