

# Industrial allocation guide to data collection

2023



Ministry for the  
**Environment**  
*Manatū Mō Te Taiao*



**Te Kāwanatanga o Aotearoa**  
New Zealand Government

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# Introduction

The New Zealand Emissions Trading Scheme (NZ ETS) is one of the Government's tools to reduce emissions in response to global climate change.

Within the scheme, the policy of industrial allocation provides transitional assistance to those parts of the economy most affected by the NZ ETS – activities which are both emission-intensive and trade-exposed (EITE).<sup>1</sup> The threshold to be considered 'emissions intensive' is an emissions intensity of 800 tonnes of greenhouse gas emissions (in carbon dioxide equivalent) per \$1 million of revenue from the activity.

Eligibility for industrial allocation and the quantity of units currently allocated per unit of EITE product is currently based on historical data from 2006-09. Since then, changes to industry composition, business as usual improvements, and significant investments in fuel switching and other emissions improvements mean current allocation settings may not be representative of an activity's national average emissions intensity.

The [Climate Change Response \(Late Payment Penalties and Industrial Allocation\) Amendment Act 2023](#) amended the [Climate Change Response Act 2002](#) (the Act) to allow the update of industrial allocation settings. This will allow the Government to make new regulations that update each activity's allocative baseline(s).

Notices published in the *New Zealand Gazette* require all businesses carrying out these activities to provide data on production, emissions and revenue. For the purposes of this guide, the persons or businesses conducting these activities are referred to as firms.

The collected data will be used to calculate current emissions intensities and allocative baselines for each of the activities, based on the weighted average of all firms conducting each specific activity in New Zealand. This data collection exercise will *not* change existing decisions on eligibility. This is further explained in the [Overview section](#).

Data provided in response to a Gazette Notice must be submitted in accordance with the definitions, rules and templates of the Notice. These requirements include:

- a definition of the activity, including its inputs and outputs, and an exhaustive list of the sources of emissions which are to be included or excluded from the activity
- a definition of the products to be included under each activity
- data collection rules which set out the methodologies for calculating revenue and emissions relating to the activity as defined. These are the same for all activities
- a specified template for submitting data (the Data Form) with accompanying Basis of Preparation form (the Basis of Preparation) requiring explanations of any assumptions underpinning the data provided, and a signed declaration (the Declaration).

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<sup>1</sup> The second criterion to receive an allocation is trade exposure. Under section 161C of the Climate Change Response Act 2002, industrial activities are trade exposed unless, in the Minister's opinion, there is no international trade of the output of the activity across oceans; or it is not economically viable to import or export the output of the activity.

This guide is designed to help firms comply with the requirements of the Gazette Notice when completing the forms and applies to all activities for which a Gazette Notice has been issued. It does not take precedence over the Gazette Notice itself, or any other associated legislation.

## Who is required to complete the Data Form

Any firm undertaking the activity described in the Notice on the date it is issued must complete and submit the Data Form as well as a Basis of Preparation, and Declaration.

If a firm fails to provide the data required under the Notice, the Minister of Climate Change may give further notice to that firm to provide information within 10 working days. Failure to comply may render that firm ineligible for an allocation, in accordance with section 161D(6) of the Act.

There are also offences under the Act where a person knowingly provides altered, false, incomplete or misleading information or, with the intent to deceive and for the purpose of obtaining a material benefit or avoiding a material detriment, fails to provide information or provides false, altered, incomplete or misleading information.

## How to get forms

You can view and download all forms from the Ministry's website: [2023 Industrial allocation data collection](#).

## How to get further information and help

It is anticipated that firms will have questions during the data collection process.

Assistance will be available to help you during the data collection process. In addition, if questions are raised during the process, the responses will be included on the above web page. If you require help or have questions, please email [industrialallocation@mfe.govt.nz](mailto:industrialallocation@mfe.govt.nz).

## Due date for submitting data

The Data Form, Basis of Preparation, and signed Declaration must be submitted to the Ministry within 45 working days, as set out in the Gazette Notice.

Please email your completed forms to [industrialallocation@mfe.govt.nz](mailto:industrialallocation@mfe.govt.nz) in the same file format in which they were provided. Ensure the subject line is:

Data collection: 'Your activity', 'Name of firm'.

If you can't email the forms, please contact the Ministry to arrange another method.

# 1 Gazette Notice

Each Gazette Notice defines an activity for which the Minister of Climate Change requests information. All firms carrying out that activity at the time the Gazette Notice was published are required to provide certain financial, production and emissions data. This data must be collated and submitted in the relevant Data Form.

The Gazette Notice defines for each activity, the activity output(s), the product(s), and the included and excluded emissions. Together these define the boundaries of what data should and should not be counted.

In addition, the Gazette Notice defines the data collection rules, specifying how the data should be obtained or calculated. Firms must comply with these rules when they complete the Data Form.

The Gazette Notice also defines the financial years for which data must be supplied as 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21, with each year beginning on 1 July and ending on 30 June.

To help smooth distortions due to COVID-19, firms will have the option to nominate data from either 2019/20 or 2020/21 to be disregarded from the emissions intensity and allocative baseline calculations. If firms intend to use this option, they need to indicate which financial year is to be disregarded in the Basis of Preparation. In addition, firms are asked to state if they were considered an essential business during COVID-19 and provide commentary to outline how COVID-19 impacted their operations. Firms are still expected to provide data for all years (including if they nominate a year to be disregarded as a result of COVID-19).

As well as the Data Form, the Gazette Notice requires firms to complete and provide the Basis of Preparation. Firms should use this template to provide additional supporting information for the data provided in the Data Form.

In addition, firms must sign the Declaration, confirming that the information supplied is true and correct.

The Gazette Notice gives a deadline for the provision of the required information within 45 working days from the date of the Notice. Failure to submit data and information as required can result in firms being ineligible to receive an allocation.

## 2 Overview

### What will the data be used for?

The Minister requires specific information from 2016/17–2020/21 for two purposes. Data will be used to calculate each activity's:

1. emissions intensity – activity-wide emissions per million dollars of revenue
2. allocative baseline for the product(s) – emissions associated with the manufacture of the product(s) within the bounds of the activity definition.

To calculate both of these, firms are required to submit revenue, production and emissions data associated with the particular activity. The emissions intensity of each activity and the allocative baseline for each product is assessed as a weighted average on a national basis.

To ensure consistency, data submitted must be from the same time periods for each of the firms and consistent methods must be used to determine the financial and emissions data.

Firms should note that the collection of this new data will *not* change their eligibility status. It will only be used to update each activity's allocative baseline(s) through future regulations.

### Emission intensity and eligibility

Emissions intensity is the quantity of greenhouse gas emissions (as carbon dioxide equivalent) per million dollars of revenue (NZD) for each prescribed activity. The Minister will use the data collected to calculate the overall emissions intensity for each activity over the five financial years (whilst firms have the ability to elect to disregard a nominated COVID-19 data year) for information only. The emissions intensity of the activity is a weighted average of the emissions intensity of all firms carrying out the activity. Firms do not qualify for industrial allocation on the basis of their specific emissions intensity unless they are the only firm carrying out that activity.

The Act specifies two emissions-intensity thresholds which need to be reached on an activity-wide basis to be eligible for assistance:

1. moderately emissions intensive, requiring an emissions intensity of at least 800 tCO<sub>2</sub> / \$1 million revenue
2. highly emissions intensive, requiring an emissions intensity of at least 1,600 tCO<sub>2</sub> / \$1 million revenue.

As a result of amendments to the Act under the [Climate Change Response \(Emissions Trading Reform\) Amendment Act 2020](#), industrial allocations have started to be phased out, from 2021 onwards. This is through a general phase-out rate starting at an annual rate of 1 per cent for moderately intensive activities and highly emissions-intensive activities for the period 2021 to 2030. As of 2023, activities that are classified as moderately emissions intensive have a level of assistance of 57 per cent and activities that are classified as highly emissions intensive have a level of assistance of 87 per cent.



## Allocative baseline

The allocative baseline of a product is expressed in terms of the tonnes of emissions per unit of product over the five financial years. The Minister will use the data collected to calculate the allocative baseline for the product of each activity. Some activities have multiple products as a basis of allocation – refer to [section 8](#) for more information.

Note that in some cases, the definition of a product for the purpose of calculating allocative baselines can be different from the output of the activity. The Gazette Notice carefully defines these two quantities.

## Standard information requirements

### Revenue, sales and production data

The revenue data for the purposes of determining emissions intensity will be derived from production, sales and price data relevant to the outputs defined by each activity definition.

Revenue data must be prepared using the data collection rules. The rules are specified in Schedule 1 of the Gazette Notice. They are also set out in [section 4](#) of this guide. It is strongly recommended that financial data submitted is calculated using the [New Zealand Equivalents to International Financial Reporting Standards](#). Where no New Zealand Accounting Standard exists in relation to the financial data, the specific principles, methodologies and policies used to prepare and present the financial data in accordance with generally accepted accounting practice should be clearly disclosed by firms in the Basis of Preparation.

### Emissions data

The emissions data collected will be used to calculate new allocative baselines. As specified in [Emissions Rule 1](#), data is required on the direct use (for example oxidation or use as feedstock) of fuels, process emissions, emissions from the production of heat, emissions from the production of steam, fugitive coal seam gas emissions, use of liquid fossil fuels in stationary equipment, and electricity consumption. Only the eligible emissions sources specified in Emissions Rule 1 and directly related to the activity as defined in the Gazette Notice can be included. Other emissions sources not included in [Emissions Rule 1](#) may not be included.

The data used to calculate emissions must be prepared using the data collection rules specified in Schedule 1 of the Gazette Notice. The rules and further explanation are also set out in [section 6](#) of this guide.

### Financial years

The Gazette Notice specifies that the data must be provided for the five financial years, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21, with each period beginning on 1 July and ending 30 June. It is recognised that, historically, many firms may not have reported on this financial year basis. Accordingly, firms will need to make a reasonable and transparent apportionment of financial, production and emissions data to the specified financial years. Specific rules have been included to address both uncertainty and materiality. In addition, firms have an option to nominate data from either 2019/20 or 2020/21 to be disregarded from the allocative baseline calculations, to help smooth distortions due to COVID-19.

### 3 Entity information

Enter firm specific details into box 1 of the first tab of the relevant Data Form and the Basis of Preparation.

<b>Activity</b>	A Data Form has been produced for each activity, provided as a Microsoft Excel file. The first line of box 1 of the Data Form is locked and contains the name of the specific activity for which the relevant revenue and emissions data are required.
<b>Company name</b>	Enter the registered company name.
<b>Holding account number</b>	If the company holds an account with the New Zealand Emissions Trading Register, enter the holding account number. Leave blank if a holding account is not held.
<b>Facility name</b>	If the activity operates using a different name from the registered company name (eg, an operating division of the company), include the name here.
<b>Physical address</b>	Include the physical address of the site where the activity is undertaken. If the activity is undertaken at more than one location, include details of all locations in the Basis of Preparation.
<b>Contact details</b>	Enter the contact details for the person responsible for signing the Declaration (including contact name, postal address, phone number, and email). Alternatively, contact details including the person's job title may be provided for a nominated primary contact person to whom any queries or requests for follow up information can be sent.

## 4 Production, sales and revenue

Revenue, sales and production related data must be provided in boxes 2 to 8 of the production, sales and revenue tab of the Data Form.

The revenue, sales and production data supplied must be determined in accordance with the revenue rules. Revenue Rule 1 is the primary revenue rule. Revenue Rules 2, 3 and 4 contain further interpretation of terms used in Revenue Rule 1.

The section below sets out the four revenue rules and provides further explanation on each rule.

### Revenue Rule 1: Revenue calculation

Revenue must be calculated as the quantity of saleable activity outputs for each of the financial years, multiplied by an appropriate market price, exclusive of GST, for each activity output for each of the financial years.

Revenue data used must be derived from production and price data for the outputs prescribed in each activity definition. Revenue is therefore calculated for each specified financial year from the quantity (number of units, eg, tonnes) of each activity output as defined in the Gazette Notice, multiplied by a unit price (eg, \$/tonne).

Regardless of the financial year a firm uses for financial reporting purposes, information must be provided for the financial years as defined in the Gazette Notice. This ensures all data used for this exercise is collated and submitted to the Minister on the same basis to enable meaningful comparisons.

It is recognised that, historically, many firms may not have reported on this financial year basis. Accordingly, there should be a reasonable and transparent apportionment of financial data and production data to the specified financial years. Specific rules have been included to address both uncertainty and materiality.

### Revenue Rule 2: Quantity of activity output(s)

Quantity of activity output(s) is either the direct measure of activity output(s) or is calculated from units sold and changes in inventory. The same methodology must be used for all years.

Activity output data must be supplied separately for each output included in the activity definition. There are two ways the number of units of output can be calculated:

1. Quantity of output = direct measurement of output for the defined activity, or
2. Quantity of output = units sold (externally or internally) + closing inventory – opening inventory.

Inventories are defined by New Zealand Equivalent to International Accounting Standard 2 Inventories, paragraph 6, excluding sub-paragraph 6(c), as assets that are:

- (a) held for sale in the ordinary course of business, or
- (b) in the process of production for such sale.

This rule also applies to determining the amount of product for the basis of allocation.

## **Determining timing of sales**

There is no accounting standard that defines units sold (externally or internally). However, in determining the point at which the sale of a unit has actually occurred, firms should refer to the guidance outlined in [New Zealand Equivalent to International Accounting Standard 18 Revenue \(NZ IAS 18\)](#), and [New Zealand Equivalent to International Financial Reporting Standard 15 Revenue from Contracts with Customers \(NZ IFRS 15\)](#).

NZ IFRS 15 replaced NZ IAS 18 for annual periods beginning on or after 1 January 2018; that is, financial years ending 30 June 2019. Therefore, guidance outlined in NZ IAS 18 may be referred to where firms applied NZ IAS 18 for the financial years ending 30 June 2017 or 30 June 2018. If firms had already adopted NZ IFRS 15 for those financial years, firms should refer to guidance in NZ IFRS 15. For financial years ending 30 June 2019 and onwards, firms should refer to guidance in NZ IFRS 15.

Although the guidance in paragraph 14 of NZ IAS 18 relates to recognition of revenue, aspects of the guidance are also relevant in determining the timing of sales. In particular, it states that when determining revenue from the sale of goods, the sale shall be recognised when all of the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- (c) the amount of revenue can be measured reliably
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Similarly, the guidance in paragraphs 31 to 45 of NZ IFRS 15 relates to recognition of revenue, but aspects of the guidance are also relevant in determining the timing of sales. In particular, the guidance states that revenue from a sale is recognised when a firm satisfies its obligation to deliver goods to its customer by transferring control thereof to its customers. This could be over time or at a point in time.

In the case of goods delivered over time, control is transferred and revenue is recognised over time. This is the case if one of the following criteria is met (NZ IFRS 15 paragraph 35):

- (a) the firm's customer simultaneously receives and consumes the benefits provided by the firm's performance
- (b) the firm's performance creates or enhances an asset that its customer controls as the asset is created or enhanced

- (c) the firm's performance does not create an asset with an alternative use to the firm and the firm has an enforceable right to receive payment for its performance completed to date.

In these circumstances, revenue is recognised over time; that is, the sale of the good occurs over time. In this case the firm should use an appropriate measure of progress (such as the input or output method described in NZ IFRS 15 paragraphs 41–45) to determine the timing of transferring control of the good (timing of sale) to its customer.

If a good is not delivered over time, it is delivered at a point in time and revenue is recognised at the point the customer obtains control of the good. The firm considers indicators of the transfer of control to determine the point in time that control is transferred, and revenue recognised. These include, but are not limited to, the following (NZ IFRS 15 paragraph 38):

- (a) when the firm has a present right to payment for the good
- (b) when the customer has legal title to the good
- (c) when the firm has transferred physical possession of the good
- (d) when the customer has the significant risks and rewards of ownership of the good
- (e) when the customer has accepted delivery of the good.

These timing rules provide recommended guidance for firm's determining quantity of activity output using the second method, based on inventory movements. In addition, for the purposes of ascertaining the quantum of units sold internally, firms should include all units of activity outputs that become inputs to another activity or activities, whether on the same site or not. This includes units that are transferred and for which no corresponding revenue is received.

Firms should note that depending on the activity definition, there might be differences between the outputs of the activity that are used to calculate revenue, and the products of the activity that each have an allocative baseline calculated. Refer to the relevant Gazette Notice to see these two quantities defined.

Some activities also have multiple activity outputs for which revenue is determined. This should be laid out clearly in the relevant Gazette Notice.

## **Saleable quality**

Saleable in relation to a product or output specified in the Gazette Notice:

1. means the product or output is of a quality generally considered by persons who are regularly in the market for that product or output to be—
  - a. fit for sale; or
  - b. of commercial value; but
2. excludes any product or output that—
  - a. is substandard and has been discarded by the person who produced the product or output:
  - b. is recycled while carrying out an eligible industrial activity:
  - c. is scrapped or lost before it is packaged for sale.

The product or output may meet particular industry standards or specifications (either general specifications or those set by particular customers). It may also meet internal standards by which it can be used by the firm as part of another process conducted by the firm.

Products or outputs that are saleable, or of saleable quality, do not need to be sold in the year of production. Therefore, a product or output that is produced and transferred to a firm's inventory can be saleable or of saleable quality.

## Revenue Rule 3: Activity output price

The market price must be a 'plant gate' price for the activity output. It is the price determined for the output under the applicable accounting standard. This is the fair value of the consideration received or receivable, as defined under New Zealand Equivalent to International Accounting Standard 18 Revenue (NZ IAS 18), adjusted for transport costs to reflect the market into which it is sold. If New Zealand Equivalent to International Financial Reporting Standard 15 Revenue from Contracts with Customers (NZ IFRS 15) is applied, the transaction price of the output is allocated to the product based on the relative stand-alone selling price of that product.

The market price for the output must be calculated for each of the financial years either from the revenue received from all external activity output sales during each of the financial years, divided by the number of units of external activity output sales during each of these years; or by using an observable market price for each of the financial years that is appropriate to the duration of time when the output was produced in those years.

An observable market price must be based on a relevant price listed on an international exchange, a price obtained from an industry analyst's report, or a price derived from government or industry body statistics.

A 'plant gate' price is the price that a firm would have received if the point of sale was at the plant gate. It is therefore exclusive of any costs of transport to market.

Revenue should be measured in accordance with the applicable accounting standard. That is, in accordance with NZ IAS 18 at the fair value of the consideration received or receivable or NZ IFRS 15 at the amount of the transaction price allocated to the product based on its relative stand-alone selling price. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes, and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue.

Fair value is defined under NZ IAS 18 as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In other words, it is the expected price that would be reached from an exchange between a willing and independent buyer and a willing and independent seller.

Under NZ IFRS 15, transaction price is defined as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Stand-alone selling price is defined as the price at which an entity would sell a promised good or service separately to a customer.

Revenue Rule 3 provides the choice of two methods to determine market price:

- Method 1: Using actual sales data relating to external sales
- Method 2: Using an observable market price.

## **Method 1: Actual sales data**

Where actual sales data is used to derive prices, the sales information used should only include external sales that occurred during the specified historical years. The revenue from the external sales should be divided by the quantity of activity output that was sold externally during those years to establish a sales price for all units sold.

Revenue Rule 3 requires firms to determine market price based on the fair value of the output. Accordingly, in determining the fair value under Method 1, only external activity output sales may be included. For the purposes of the Data Form, units sold externally include those:

- (a) sold to unassociated parties, or
- (b) transferred to an associated party at an arm's length price<sup>2</sup>.

## **Foreign exchange movements**

Foreign exchange gains and losses arising from movements in exchange rates between the date of the actual sale transaction and the date of settlement do not form part of the consideration received or receivable. They must be excluded from revenue. Further discussion on foreign exchange conversion rates is included under [Revenue Rule 4](#) below.

## **Transport costs**

Most revenue data include a recovery of transport costs. Transport cost recovery is not considered part of the revenue from the activity and should therefore be removed. A separate discussion on transport costs is included below. Any adjustments to remove transport costs recovery must be separately disclosed in the Basis of Preparation.

## **Date of sale**

Revenue data must be limited to sales that occurred during the specified years. For this reason, it is important to determine the point at which or the period over which the sale of a unit actually occurred, as outlined above for [Revenue Rule 2](#). Firms should refer to the relevant guidance in NZ IAS 18, paragraph 14, and NZ IFRS 15, paragraphs 31 to 45, summarised in the guidance on Revenue Rule 2 above.

## **Method 2: Observable market price**

Where there are no material external sales of the output from an activity, or where the entity chooses to adopt Method 2, an observable market price may be used.

Whilst firms can choose which method to use, if Method 2 is chosen then firms should disclose in the Basis of Preparation why their actual sales data was not used. If the observable market

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<sup>2</sup> A transaction price agreed in accordance with market values, that disregards any common connection between the parties involved.

price is chosen then this must be based on one of the sources listed in Revenue Rule 3; that is, it must be based on data from an international exchange, or a price obtained from an industry analyst's report or a price derived from government or industry body statistics.

In all cases, firms will need to disclose the source of the New Zealand plant gate price and provide sufficient information to support the appropriateness of the adopted figure for the duration of time when the output was produced. Full details must be disclosed in the Basis of Preparation.

Where the observable market price is used, it should be a price or prices for each of the historical years. This observable market price determined needs to be based on the fair value of the output and therefore should be a realistic reflection of the prices across the financial year, or the relevant period of production. For example, these prices could be either quoted prices for the specific time of sale (day or month) or average prices for each of the financial years. Where relevant, firms should consider multiple sources for an observable market price and from these sources determine the appropriate observable market price.

The market price must be adjusted for transport costs and foreign exchange conversions, as appropriate. Foreign exchange conversions rules are contained as part of [Revenue Rule 4](#). A discussion on the treatment of transport costs is below. An appropriate price is defined by its time period, location and output as outlined below.

## **Time period**

Revenue Rule 3 requires, for each of the financial years, that an observable market price is determined. This price must be appropriate to the duration of time over which the output was produced in those years. For example, if output was produced continually over the financial year, an appropriate market price could be:

- a published average price for the financial year(s)
- an appropriate weighting of two average prices, if the published price is for a differently specified year such as a calendar year, based on the proportion of time or the proportion of production in each period. For example, for the 2016/17 financial year, the price could be calculated as either:
  - 50 per cent of the average price in 2016 and 50 per cent of the average price in 2017, or
  - separate percentages of the average price in 2016 and 2017 based on the proportion of total output that was produced in 2016 and in 2017
- a weighted average of published monthly prices, calculated on the basis of either the proportion of time or the proportion of production in each month.

## **Location of source data and trading operations**

The observable market price may be obtained from international data. However, adjustments will be required to normalise the price to represent a New Zealand plant gate price. The price should be taken, where possible, from a relevant market. For example, if the output is exported to Asia, then it is preferable that an Asian market price be used rather than a North American price. Similarly, if sales are in competition with (or potential competition with) Australian producers rather than Asian producers, then it is preferable that an Australian price



is used. If export markets, or competitor locations are in more than one country, then the price(s) can be based on:

1. a combination of prices from the different locations
2. the most relevant price, or
3. an available price.

In all cases, the justification for the market price used must be included in the Basis of Preparation.

### **Composite activity outputs**

Where the activity output, as specified in the Notice, encompasses multiple saleable outputs, an appropriate market price would be a weighted average price derived from the market prices of the individual outputs and the proportion of sales of the different outputs that make up the total quantity of output. An example is the output of 'blown and pressed glass containers' that would be sold as a combination of wine bottles, beer bottles of different sizes, and so on.

An inappropriate price may be a low observed market price for a single day used to represent market prices for a whole year, particularly if there are numerous sales during the year.

### **Transport costs**

To avoid distortion of the market price of sales arising from differing distances between entities and their customers, data on market price should be adjusted for transportation costs, such that the market price reflects the price received for the activity output at the plant gate.

When using actual sales data (Method 1), actual transport cost data should also be used. For determination of observable market price (Method 2), adjustments to take account of transport costs will differ depending on the market into which the activity output is sold and the origin of the observable market price data.

In all cases both actual and observable market price data should be adjusted to take account of transport costs, where relevant. In some cases, there may be additional costs for transporting specific outputs of a particular activity beyond that associated with distance to market. An example of this is where specialist transportation requirements must be observed such as those for hazardous substances. These additional costs of transportation should be included in the total transport costs to market when using actual revenue data and should be included in any transportation cost adjustments to an observable market price. This would be the case with transportation costs associated with hydrogen peroxide.

The following are examples of adjustments for transport costs where they have not already been factored into the observable market price:

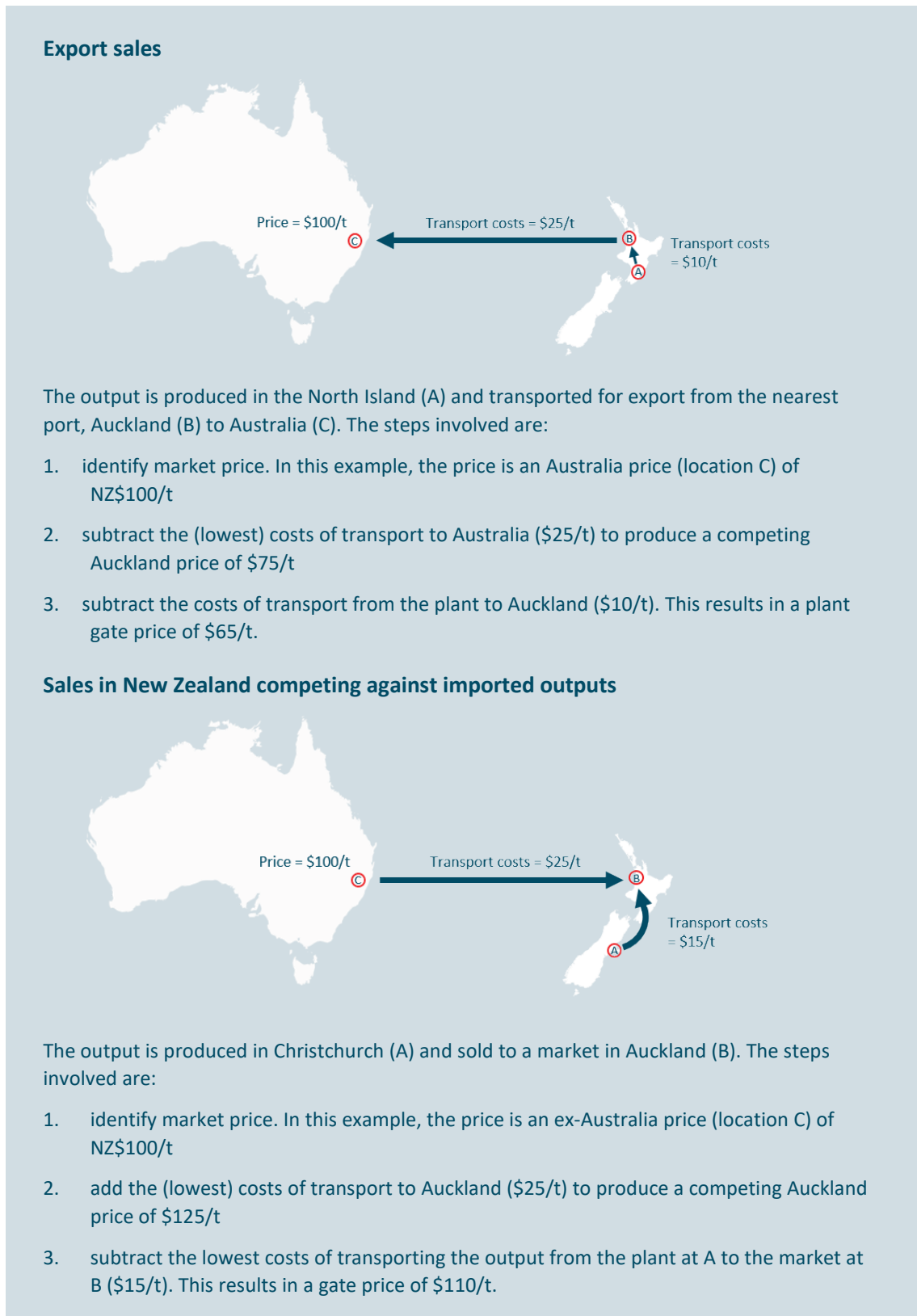
- (a) If the output from the activity is exported and a New Zealand sourced observable market price has been used, then the relevant price should be the New Zealand observed market price. Actual transport costs from the plant to the location in New Zealand, for which the market price is quoted, should be deducted from the observable market price.
- (b) If the output from the activity is exported and an international observable market price has been used, then the relevant adjustment should be the international market price, less the costs of transport to the market for which the price is quoted.

- (c) If the output is sold in New Zealand and an international observable market price has been used, the relevant adjustment should be the international price plus the costs of transport to New Zealand from the market for which the price is quoted. Actual transport costs from the plant to the market location in New Zealand should be deducted from the observable market price.
- (d) If the output is sold in New Zealand and a New Zealand sourced observable market price has been used, then the relevant price should be the New Zealand observed market price. Actual transport costs should also be excluded from the revenue data.

The approaches suggested in alternatives (b) and (c) above are illustrated in figure 1.

Where an observable market price has been used, detailed disclosures are required in the Basis of Preparation. These are discussed fully in [section 5](#). Observable market prices are readily obtainable through market analysts and industry commentary.

**Figure 1: Approaches to price adjustment**



## Revenue Rule 4: Exchange rate conversion

Market price must be converted from foreign currencies to New Zealand dollars at the historical rate relevant to the period of activity output.

Where market price is in a currency other than New Zealand dollars (NZD), a number of options can be used to convert it to NZD. The spot exchange rate prevailing at the date of the sale of the activity output can be applied in accordance with NZ IAS 21, paragraph 21:

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

The date of the transaction is the date on which the transaction first qualifies for recognition in accordance with NZ IFRS.

As permitted by NZ IAS 21, paragraph 22, a rate that approximates the actual rate at the date of the transaction might be used for practical reasons. For example, an average rate for a week or month might be used for all transactions in each foreign currency occurring during that period.

The same approach can be used as that for converting overseas income to New Zealand income for tax purposes. Monthly and 12-month average rates are available from Inland Revenue. The appropriate exchange rate will depend on the data. If data is gathered on an annual basis, then the 12-monthly average rate should be used for the ending month of the financial year. If data is gathered on a monthly basis, then New Zealand prices can be estimated for each month using the monthly exchange rates. However, if exchange rates fluctuate significantly, the use of the average rate for a period may be inappropriate.

A firm must disclose in the Basis of Preparation whether the actual spot rate or an average rate has been used, together with the range of rates or the weighted average rates applied, by currency, for each financial year for which data are submitted. The source of exchange rate data must also be disclosed where an approximation of the actual rate has been used.

## 5 How to enter production, sales and revenue data

Before entering information into the Data Form it is recommended that you have a clear understanding of the relevant revenue rules contained in the preceding section.

### **Box 2: Units produced of product (basis of allocation)**

Enter into box 2 the units of product (basis of allocation) of saleable quality produced during each financial year. The product (basis of allocation) is described in the Gazette Notice for each activity. This box is used to determine the allocative baseline where the activity output and product (basis of allocation) differ.

### **Box 3: Activity outputs produced**

Enter into box 3 the units of activity output of saleable quality produced by the activity for each of the financial years. The activity output is defined in section 2(1) of the Gazette Notice relevant to the particular activity. It is possible that there are multiple activity outputs for the purpose of calculating revenue – this will be specified in the Gazette Notice.

Refer to [Revenue Rule 2](#) which provides guidance on the methods to determine the units produced and also provides definitions for saleable quality and inventories.

### **Box 4: Units sold externally**

Enter into box 4 the quantity of units sold externally for each of the financial years. Refer to [Revenue Rule 3](#) for guidance on both the meaning of units sold externally and the date of sale. Leave this box blank if using Method 2: Observable market price, to determine revenue for each of the financial years.

### **Box 5: Revenue from units sold externally (NZD)**

If your firm is using Method 1: Actual sales method, to determine market price per unit, enter into box 5 the total revenues received from the sale of units sold externally (shown in box 4). If your firm is using Method 2: Observable market price, leave box 5 blank and include the observable market price data in box 7, discussed below.

Revenue from actual sales must be in New Zealand dollars. This is in accordance with Revenue Rule 4. Refer to [Revenue Rule 4](#) for an explanation on foreign exchange policy. Revenue from units sold externally should include the transportation costs reimbursement, if any. This will later be removed to determine the gate price. If revenue data available does not include transportation costs recovered, clearly state this in the Basis of Preparation and leave box 6 blank.

An entity must disclose in the Basis of Preparation whether the actual spot exchange rate or an average exchange rate has been used, together with the range of rates or the weighted average rates applied, by currency, for each financial year for which data are submitted. The source of exchange rate data must also be disclosed where an approximation of the actual rate has been used.

## **Excluding the impact of designated and effective hedges**

For the purposes of submitting revenue data, the effects of hedging instruments should be excluded when calculating the average market price of sales under Method 1. This will ensure the comparability of revenue data within activities and sectors. The emissions-intensity metric should not be influenced by firms' ability to hedge transactions but rather based on the actual market position. To the extent hedging has been used, this information must be disclosed in the Basis of Preparation.

## **Box 6: Transport costs to market for units sold externally (NZD)**

Enter into box 6 the transport costs associated with the units sold externally for each financial year. To avoid distortion of the market price of sales arising from differing distances between entities and their customers, data on market price should exclude the recovery of transportation costs. Therefore, the market price is the price received for the activity output at the plant gate. Only enter a positive number into this box. The formula in the Revenue at Gate section subtracts the transport costs.

If firms have entered revenues in box 5 that do not include transportation costs recovered, then box 6 should be left blank. Firms must disclose in the Basis of Preparation that the revenues are exclusive of transportation costs recovered.

## **Box 7: Observable market price – per unit**

If Method 2 is selected for the determination of revenue, enter into box 7 the observable market price per activity output unit. Firms must disclose in the Basis of Preparation the source, availability and period over which the observable market price has been determined.

## **Box 8: Transport costs to/from market – per unit**

Enter into box 8 the adjustment to account for transportation costs in relation to the observable market price entered into box 7. This adjustment is to amend the observable market price to a gate price. It may be entered as a negative (reduction to the observable market price) or a positive (increase in the observable market price) depending on the location for which the observable market price applies. For guidance on the adjustment refer to [figure 1](#), and [Revenue Rule 3](#), which provides examples on the types of adjustment to an observable market price required to determine the gate price.

# 6 Emissions rules

## Overview

The 11 emissions rules are listed below with explanatory notes where required. The emissions rules are to be adhered to when determining direct fuel use emissions, industrial process emissions, removals, and indirect emissions, associated with the activity.

### Emissions Rule 1: Included emissions

Data must be supplied for each financial year from only the following emissions sources, expressed in tonnes of CO<sub>2</sub> equivalent;

- (a) the direct use (eg, oxidation or use as feedstock) of any coal, natural gas, used oil, or waste oil as part of the activity; and
- (b) the direct use (eg, oxidation or use as feedstock) of any coal, natural gas, used oil, or waste oil to generate steam that is used as part of the activity; and
- (c) the direct use of geothermal fluid as part of the activity, including the direct use of geothermal fluid to generate steam that is used as part of the activity; and
- (d) any of the activities listed in Part 4 of Schedule 3 of the Act carried out as part of the activity; and
- (e) the direct use of any liquid fossil fuel in stationary equipment; and
- (f) fugitive coal seam gas from coal that is used as part of, or to generate steam that is used as part of the activity; and
- (g) the electricity used as part of the activity; and
- (h) the combustion of used tyres for the purpose of generating industrial heat; and
- (i) the consumption of carbon dioxide as a feedstock if that carbon dioxide is derived from an activity in Schedule 3 or 4 of the Act and a participant is required to surrender units under this Act for that activity.

Section 161E of the Act prescribes the emission sources which the Minister must consider for the purposes of considering emissions to be included with a defined activity. Emissions excluded from this definition cannot be included in the boundaries for the emissions from an activity, for the purposes of determining industrial allocations. These sources are replicated in Emissions Rule 1.

Emissions are expressly limited to combustion of energy fuels (including liquid fossil fuels used in stationary equipment), other forms of oxidation (eg, reduction), the use of geothermal fluid, and a number of identified industrial activity emissions. The emission sources are also limited to the specified fuels.

Emissions associated with electricity are estimated on the basis of electricity consumed as part of the activity measured at the site. This does not include transmission and distribution line losses. Further, any steam or electricity consumed or produced on the site which is not used as part of the activity must not be included.

Fugitive coal seam gas (FCSG) emissions are also included as an indirect emissions source. The calculation of these emissions are based on the consumption of domestically mined coal from the particular mine type the coal is sourced from. Note that coal that is imported into New Zealand should not be included in this section.

## Emissions Rule 2: Formulae and emissions factors (except electricity and industrial process emissions)

Emissions must be calculated using the applicable formulae and emission factors specified in these data collection rules and in the Data Form. Direct measures cannot be used as a substitute.

The formulae and emission factors used in calculating emissions, except for the use of CO<sub>2</sub> as a feedstock, must be those listed in Schedule 2 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009, Schedule of the Climate Change (Liquid Fossil Fuels) Regulations 2008, the data collection rules, and the relevant Data Form.

The following formulae should be used to measure direct emissions and fugitive emissions of eligible activities.

### Coal

$$\text{Emissions} = \sum(A_i \times CV_i \times EF_i)$$

Where:

A<sub>i</sub> = tonnes of coal consumed for the relevant coal class

CV<sub>i</sub> = calorific value of the relevant coal class

EF<sub>i</sub> = emission factor for the relevant coal class

i = index for the relevant coal class.

### Fugitive coal seam gas

$$\text{Emissions} = \sum(A_i \times EF_i)$$

Where:

A<sub>i</sub> = tonnes of coal consumed for the relevant coal class from the relevant mine type

EF<sub>i</sub> = emission factor for the relevant mine type

i = index for each relevant mine type.

### Natural gas

$$\text{Emissions} = \sum(A_i \times EF_i)$$

Where:

A<sub>i</sub> = terajoules (tonnes if LPG) of natural gas consumed from the relevant natural gas source or field

EF<sub>i</sub> = emission factor for the relevant natural gas source or field (use the national average if the gas field(s) is not known)

i = index for each relevant natural gas source or field.

### Geothermal fluid

$$\text{Emissions} = \sum(A_i \times EF_i)$$

Where:

A<sub>i</sub> = tonnes of geothermal fluid for the relevant type (ie, steam or two phase) consumed from the relevant source



$EF_i$  = emission factor for the relevant geothermal fluid source  
 $i$  = index for each relevant geothermal fluid source.

#### **Used or waste oil and used tyres**

Emissions =  $\Sigma(A \times CV \times EF)$

Where:

A = tonnes of used or waste oil, or used tyres consumed

CV = calorific value of used or waste oil, or used tyres

EF = emission factor for used or waste oil, or used tyres.

#### **Liquid fossil fuels**

Emissions =  $\Sigma(A_i \times EF_i)$

Where:

$A_i$  = kilolitres of liquid fossil fuel consumed from the relevant source

$EF_i$  = emission factor for the relevant liquid fossil fuel source

$i$  = index for each relevant liquid fossil fuel source.

#### **CO<sub>2</sub> as a feedstock**

Emissions =  $A \times EF$

Where:

A = tonnes of CO<sub>2</sub> used as a feedstock

EF = emission factor for CO<sub>2</sub> (1 tCO<sub>2e</sub>/ tCO<sub>2</sub>).

The [Climate Change \(Stationary Energy and Industrial Processes\) Regulations 2009](#) (SEIP Regulations), and the [Climate Change \(Liquid Fossil Fuels\) Regulations 2008](#) (LFF Regulations), contain specific formulae and emission factors for determining emissions from participants in the NZ ETS. The regulations do not contain the formulae for CO<sub>2</sub> as a feedstock, so firms should reference the formula and emission factor noted above. Schedule 2 of the SEIP Regulations, and the Schedule of the LFF Regulations contain the emissions factors which must be used. Use of these same formulae and emission factors for the calculation of the industrial allocation process will provide consistency of data, transparency between activities and firms, enable more timely data, and reduce the administrative burden resulting from the requirement to collect data from historic years.

These formulae are contained in the Data Form and will automatically calculate when source data for the quantities of fuel used relating to the activity are entered.

Fugitive emissions from sources other than FCSG emissions are not included. They are excluded from assessments of eligibility and from the determination of allocative baselines.

## Emissions Rule 3: Coal and natural gas exclusions

Emissions from the direct oxidation or use as feedstock of coal or natural gas must be calculated as zero when either:

- (1) the feedstock is used to produce an obligation fuel defined in the [Climate Change \(Liquid Fossil Fuels\) Regulations 2008](#), or
- (2) the production of the output is eligible to earn emission units under the [Climate Change \(Other Removal Activities\) Regulations 2009](#).

The cost of coal or natural gas is expected to include the costs of emission units. Emissions Rule 3 identifies two circumstances where the impact on total net costs for the purchaser will be less than the full cost:

1. Where the output of the activity is a fuel that carries an obligation under the NZ ETS, then it is assumed that the costs of emission units can be passed on in the price of the output.
2. Where the activity product earns emission units, then the costs of emission units for gas/coal used as a feedstock are compensated through the sales of emission units earned.

If a firm undertakes an embedding activity that results in emissions removals that meets the requirements of Schedule 4, Part 2 of the Act then these removals must be calculated and deducted from the emissions total for each specified financial year.

The [Climate Change \(Other Removal Activities\) Regulations 2009](#) provides the requirements and method for calculating the removals from producing methanol. The Data Form requires firms to enter the total amount of gas consumed and the amount (in the units specified) of methanol produced each year. Removals are automatically deducted from the emissions total for each specified financial year.

## Emissions Rule 4: Exemptions

Emissions for which no obligation to be a participant of the NZ ETS exists under the Act due to an exemption made by Order in Council under section 60 of the Act must be included; however, upon submission, the applicable threshold will be applied and any emissions sources below the threshold will be withheld from the relevant calculation of the industrial allocative baseline and calculation of the emissions intensity metric.

Emissions Rule 4 applies to persons who have obtained an exemption under section 60 of the Act.

Emissions Rule 4 also applies to firms who are exempt from being a participant of the NZ ETS under the [Climate Change \(General Exemptions\) Order 2009](#). This Order exempts some firms undertaking specified activities from being participants if the emissions from, or the consumption of, an emission source are not in excess of a specified threshold. Firms must provide data and evidence of the required activities in the Basis of Preparation irrespective of whether it falls above or below the threshold. The evidence will be assessed to check if the firm meets the thresholds stated below. If below the specified threshold, a firm will not be subject to surrender obligations.

If thresholds are changed in the future, the data may be reassessed to ascertain whether a firm meets the thresholds.

The relevant exemption thresholds for emission sources that are eligible under section 161E(2)(a)(i) of the Act are:

Activity	Exemption threshold
Using geothermal fluid to generate electricity or industrial heat	4,000 tonnes of CO <sub>2</sub> -e per annum
Combusting used or waste oil to generate electricity or industrial heat	1,500 tonnes of used or waste oil per annum
Importing coal	2,000 tonnes of coal per annum
Producing iron or steel	100 tonnes of carbon added per annum

## Emissions Rule 5: Co-generation

Total emissions from a combined heat and power plant must be allocated to an activity in proportion to its use of the output of the plant. Total emissions from co-generation must be split between heat/steam and electricity emissions on the basis of relative efficiencies of production, using efficiency rates of 80 per cent for steam and 35 per cent for electricity, then the heat/steam emissions must be allocated to the activity in proportion to its use of the output of heat from the plant. Emissions allocated to heat/steam production must be estimated using the following formula:

$$E_H = \frac{\frac{H}{e_H}}{\frac{H}{e_H} + \frac{P}{e_P}} * E_T \quad \text{and} \quad E_P = E_T - E_H$$

Where:

$E_H$  = emissions allocated to steam production

$H$  = steam output (MWh)

$e_H$  = assumed efficiency of steam production

$P$  = delivered electricity generation (MWh)

$e_P$  = assumed efficiency of electricity generation

$E_T$  = total direct emissions of the combined heat and power plant system

$E_P$  = emissions allocated to electricity production.

The purpose of this data rule is to estimate the emissions of a combined heat and power co-generation plant that are attributable to the heat/steam output of the plant. For the purposes of determining eligibility and for determining allocative baselines, electricity and heat/steam generation are treated differently.

- Emissions from electricity are estimated on the basis of electricity consumed by the activity. Emissions from electricity generation are not counted as it is not considered a trade exposed product.
- Emissions from heat/steam production are estimated from the actual emissions of the heat plant. When heat/steam and electricity are co-generated, the emissions from the

plant are allocated to the individual products and only the proportion of emissions attributed to heat/steam are taken into account.

There are different ways in which an allocation to heat and electricity can be made. The approach chosen is the one described by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD) under the GHG Protocol.<sup>3</sup> It estimates the quantity of fuel used in producing each output on the basis of an assumption about the efficiency of generation.

The rule provides efficiency assumptions that must be used in calculating emissions. These may be different from actual efficiencies. The GHG Protocol has the following steps:

**Step 1:** Determine the total direct emissions and the total steam and electricity outputs for the combined heat and power co-generation system.

**Step 2:** Assign efficiencies to steam and electricity production. Values of 80 per cent efficiency for steam and 35 per cent efficiency for electricity are to be used.

**Step 3:** Determine the fractions of total emissions to allocate to steam and electricity production using the following formulae:

$$E_H = \frac{\frac{H}{e_H}}{\frac{H}{e_H} + \frac{P}{e_p}} * E_T \quad \text{and} \quad E_p = E_T - E_H$$

Where:

$E_H$  = emissions allocated to steam production

$H$  = steam output (MWh)

$e_H$  = assumed efficiency of steam production

$P$  = delivered electricity generation (MWh)

$e_p$  = assumed efficiency of electricity generation

$E_T$  = total direct emissions of the combined heat and power system

$E_p$  = emissions allocated to electricity production.

**Step 4:** Calculate emission rates for steam production – that is the total amount of emissions from steam production ( $E_H$ ) per total amount of steam output produced ( $H$ ).

**Step 5:** Multiply the emissions rate for steam production by the steam output consumed by the activity to estimate emissions from steam used in the activity.

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<sup>3</sup> Allocation of GHG Emissions from a combined heat and power (CHP) Plant. Guide to calculation worksheets (September 2006) v1.0. A WRI/WBCSD GHG Protocol Initiative calculation tool. Available at: [www.ghgprotocol.org/calculation-tools/all-tools](http://www.ghgprotocol.org/calculation-tools/all-tools).

## Emissions Rule 6: Industrial process emissions

Emissions from industrial processes must be calculated using the formulae set out in Part 3 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009.

Emissions Rule 6 is only relevant to those firms which have direct process emissions for which they are separately liable as a participant under the NZ ETS.

Part 3 of the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (the SEIP Regulations) specifies the information that must be collected and recorded for each industrial process participant. It also provides the methods for calculating the emissions for each industrial process.

For the purposes of completing the Data Form, firms undertaking the above processes must refer to the requirements contained in the SEIP Regulations. For example, if you are producing clinker or burnt lime, information specified in SEIP Regulation 37 must be collected and recorded. This information is then used to calculate emissions from producing clinker or burnt lime using the formula provided in SEIP Regulation 38. The Data Form requires that the quantities of specified inputs (in the units specified) in SEIP Regulation 37 be entered. The Data Form will apply the relevant formula contained in SEIP Regulation 38 to calculate total emissions from producing clinker or burnt lime.

## Emissions Rule 7: Electricity emissions formula

Indirect emissions from electricity use must be calculated using the following formula:

$$\text{Emissions} = A \times \text{EAF}$$

Where:

A = consumption of electricity (MWh) used as part of the activity

EAF = relevant electricity allocation factor.

Emissions associated with the use of electricity are estimated from the electricity consumed by the activity. A standard emissions factor is used regardless of whether the electricity is generated on the same site as the activity or if the electricity is purchased from the grid. The electricity allocation factor is not an estimate of the average emission factor for the production of electricity. Instead, multiplying the factor by the price of emission units provides an estimate of the expected increase in the unit price of electricity.

As stated in [Emissions Rule 1](#), only the electricity consumed by the activity (adjusted for any exclusions) may be included. Some electricity providers bill for electricity where the cost per unit is inclusive of the estimated cost of transmission and distribution losses. In this case firms should include the total MWh consumed, less apportionments for exclusions. Conversely, other electricity providers bill for total MWh consumed and also estimate MWh associated with transmission and distribution losses.

Note that electricity use extends to electricity generated on site and consumed by the activity – whether this comes from co-generation, or from other generation types.

## Emissions Rule 8: Electricity allocation factor for eligibility

For eligibility purposes, electricity emissions must be estimated using an electricity allocation factor of 1 tonne of CO<sub>2</sub>-e per megawatt hour of consumption.

For eligibility purposes a value of 1 tonne of CO<sub>2</sub>-e per MWh is used. This was done to align activities with those in Australia when the NZ ETS was in development. The use of this electricity allocation factor is still mandated in legislation for the purpose of eligibility. No eligibility decisions will be made on the basis of this data collection.

## Emissions Rule 9: Electricity allocation factor for baselines

For allocative baseline purposes, electricity emissions must be estimated using an electricity allocation factor of 0.537 tonnes of CO<sub>2</sub>-e per megawatt hour of consumption.

The electricity allocation factor for baselines of 0.537 tonnes of CO<sub>2</sub>-e per megawatt hour will be used to calculate the allocative baselines resulting from the data submitted.

Section 161FA of the Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Act 2023 states that from 1 January 2024, the electricity allocation factor will be recommended by the Electricity Authority to the Minister each year. Future electricity emissions costs will need to be measured with the relevant electricity allocation factor corresponding to the data collection years, or the most recent electricity allocation factor if the electricity allocation factor for the relevant year is not available.

## Emissions Rule 10: Materiality

Best endeavours must be used in calculating emissions.

Simplified and reasonable emission calculation methods of the person's own design can be used for specified small emissions sources that are either excluded or included emissions defined in Schedules 2 and 3 of the relevant Gazette Notice. These estimations of emissions data must be, in aggregate, estimated to be no more than 5 per cent of total emissions from the activity at the site, provided that a 5 per cent change in total estimated emissions would not change the eligibility status of the activity, if the activity of the person was considered in isolation when making a decision about eligibility. All methods used must be disclosed in the Basis of Preparation.

Emissions Rule 10 provides an indication of the extent of accuracy required to be undertaken when estimating and calculating emissions from smaller emission sources. It is expected that total emissions will be calculated accurately, but simpler methods may be employed where the resulting emissions are not material to the assessment of eligibility.

It is recognised that, historically, many entities may not have reported on the required emission and revenue data on both an activity and financial year basis. Best endeavours should

be made to determine accurate data. Where necessary, there should be a reasonable and transparent apportionment of data to the specified activities and financial years.

Estimates must be made of emissions associated with the activity and with complementary activities, as defined by section 161E(2)(b)(vi) of the Act, undertaken by the firm, such as packaging, transportation and corporate operations. Apportionment may be needed if the data for the eligible activity is combined with data for other non-eligible activities undertaken by the firm. Hence, the complementary activities should be estimated or measured to ensure that the reported emissions are specific to the eligible activity. Emissions associated with complementary activities and other excluded emission sources will not affect the allocative baseline. Firms must exclude the activities outlined in Schedule 3 of the Gazette notice and provide details of how these exclusions were measured in the Basis of Preparation. Where estimates have been made to determine included emissions and revenue data, such estimates must be disclosed in the Basis of Preparation.

## **Emissions Rule 11: Emissions coverage**

All emissions associated with the activity must be counted, regardless of whether the output is of saleable quality.

Emissions Rule 11 takes account of inefficiencies in production and ensures that all emissions are taken into account.

Eligibility as either moderately or highly emissions intensive is calculated using all emissions associated with the activity, regardless of whether the activity output is of saleable quality. Conversely, transitional assistance by way of allocation of free units will be based on products of saleable quality.

## 7 How to enter emissions data

Before completing the boxes below it is recommended that you have a clear understanding of the relevant emissions rules contained in the preceding section.

Only emissions attributable to the activity are to be included. Further discussion on interpreting activity boundaries and apportioning emissions is contained in [section 10](#).

Full disclosure of the method used to apportion is required in the Basis of Preparation for each emission source.

### **Boxes 9–15: Direct fuel use, geothermal fluid, and fugitive coal seam gas emissions (excluding those from co-generation)**

Enter the quantities of fuels used associated with the activity for each financial year in boxes 9 to 15 of the Data Form. If fuel is used to produce heat/steam and electricity from a co-generation plant, this is entered in a separate worksheet and is explained below.

The emission factors and applicable formulae, as required by [Emissions Rule 2](#), have been hard coded into the Data Form and therefore the emissions will be calculated automatically from the quantity of fuel entered. The weighted average calorific values for both coal and used or waste oil must be entered into the designated boxes to calculate emissions from these sources.

Quantities of liquid fossil fuels used should only be attributed for use in stationary equipment. Other uses of liquid fossil fuels (eg, transport) are not included. Note that because direct emissions from electricity generation are not included (and instead electricity consumption from generation sources is included), the meaning of stationary equipment for the purpose of this data collection exercise does not include a generation plant.

Refer to [Emissions Rule 4](#) for guidance of exemption thresholds for geothermal fluid, iron and steel production, importing coal, and used or waste oil consumption.

Coal use entered into box 9 can include both domestically sourced coal, and imported coal. There are four classes of coal to attribute coal use too (lignite from Waimumu or Roxburgh, lignite from all other fields or peat, sub-bituminous, and bituminous).

Coal use entered into box 10 (fugitive coal seam gas emissions) should only include coal that is sourced domestically (ie, mined in New Zealand) and **not** include coal that is imported. Domestic coal usage is divided into three mine types (surface, sub-bituminous from underground, and bituminous from underground).

Data entered into box 9 and 10 is not double counting emissions from coal but attributing coal use to different emissions sources: combustion or other use, and fugitive gas released during the mining process. Firms should also note it is assumed there is no flaring of methane in New Zealand coal mines.



## Box 16: Electricity emissions

Enter the MWh of electricity consumed by the activity for each of the financial years into box 16. The relevant electricity allocation factor, as specified by [Emissions Rule 9](#), has been hard coded into the Data Form.

If co-generation is used, then box 16 of the *Co-generation* tab will include entries for the MWh of electricity generated on site and used as part of activity, and electricity generated on-site and not used. Both are required to calculate emissions attributed to steam production. The Data Form will automatically complete the *Emissions* tab for electricity generated on site and used as part of the activity, based on data entered in the *Co-generation* tab. Note that electricity generated on-site (other than co-generation) that is consumed by the activity should be entered into box 16 of the *Emissions* tab along with electricity consumed from the national grid.

Electricity contracts can be examined by the Minister by Gazette Notice to establish whether any adjustment to an allocative baseline is needed in accordance with section 161C(4) of the Act. This has been performed for one activity to date.

## Box 17: Co-generation plant emissions

Fuel used to produce heat/steam and electricity from a co-generation plant should be entered into the *Co-generation* tab of the Data Form. This tab only needs to be completed by firms using a co-generation plant. The guidance provided above on how to complete boxes 9–16 should be followed when completing the *Co-generation* tab. The total direct emissions of the combined heat and power system attributed to steam production will be automatically entered into the summary section of the *Emissions* tab of the Data Form once the *Co-generation* tab has been completed.

Enter into box 17 the steam output from co-generation:

- consumed by the activity
- not consumed by the activity.

Note that the unit required for both of these entries is MWh. Firms may need to convert their data into MWh.

The efficiency ratings of steam and electricity are hard coded into the Data Form.

## Box 18: Industrial processes emissions or removals

If the activity conducted by the firm does not produce process emissions, disregard this section.

Part 3 of the SEIP Regulations specifies the data which industrial processes participants must collect and record. In all cases the data that is required to be collected and recorded is used to determine the industrial process emissions in the Data Form.

Industrial process emissions are determined in accordance with [Emissions Rule 6](#). To prevent error, the relevant formulae contained in Part 3 of the Regulations have been hard coded into

the Data Form for the relevant activities. Once firms input the quantities, the emissions will be automatically calculated using the applicable formulae.

Data relating to process emissions must be entered into box 18, Industrial Process Emissions in the *Emissions* tab of the Data Form. Where indicated, additional supporting information should be included in the Basis of Preparation.

## **Producing clinker or burnt lime**

For each specified financial year, enter into box 18 the total tonnes of:

- pure calcium oxide in clinker or burnt lime produced
- pure magnesium oxide in clinker or burnt lime produced
- calcium and magnesium oxide in cement kiln dust or lime kiln dust.

## **Producing iron or steel**

For each specified financial year, enter into box 18 the total tonnes of:

- pure calcium carbonate used
- pure calcium magnesium carbonate used
- carbon in each type of carbon-containing input used (other than obligation coal, limestone or dolomite). Note that scrap steel should not be included as a carbon containing input.

## **Producing aluminium**

For each specified financial year, enter into box 18 the total tonnes of:

- carbon dioxide resulting from baked anodes used during the year
- carbon dioxide resulting from pitch volatiles used during the year
- carbon dioxide resulting from packing material used during the year
- hot metal aluminium produced during the year

and the:

- anode effect minutes per cell-day
- slope coefficient for hexafluoroethane expressed as kg of  $C_2F_6$  per tonne of aluminium per anode effect minutes per cell-day ( $kg\ C_2F_6/t\ Al * (anode\ effect\ minutes/cell-day)$ )
- slope coefficient for tetrafluoromethane expressed as kg of  $CF_4$  per tonne of aluminium per anode effect minutes per cell-day ( $kg\ CF_4 /t\ Al * (anode\ effect\ minutes/cell-day)$ ).

## **Producing glass using soda ash**

For each specified financial year, enter into box 18 the total tonnes of:

- pure sodium carbonate
- pure calcium carbonate
- pure calcium magnesium carbonate.

## **Removal activities – production of methanol**

Enter into box 18 the tonnes of methanol produced for each specified financial year. The tonnes of emissions removed in the embedded product will calculate automatically for each year and is netted off the gross production emissions.

## 8 Multiple products

This section relates to activities that have multiple products for allocation purposes. You can ignore this section for activities that have a single product for allocation.

For some activities, more than one allocative baseline will be defined in the Gazette Notice as the basis for allocation. For example, if an activity:

- produces more than one product, and total emissions differ depending on the relative production levels of those separate products, one or more allocative baselines may be developed for each product
- has an initial stage which may not be performed by some firms, then a sub-allocative baseline approach may be adopted where units are awarded based on the outputs from each stage.

### Units produced of product (basis of allocation)

Enter into box 2 the units of product (basis of allocation) during each specified financial year for each product (basis of allocation) specified in the Gazette Notice. There is a separate row for each product (basis of allocation). The same revenue rules that apply to activities with a single product (basis of allocation), apply to activities with multiple.

### Emissions data – fuel use (excluding use for co-generation)

There is a separate *Emissions* tab in the Data Form for each specified product (basis of allocation). The *Emissions* tabs are labelled *Emissions (Product A)*, *Emissions (Product B)* and so on, where 'Product A' relates to the first product (basis of allocation) specified in the Gazette Notice, 'Product B' to the second product (basis of allocation) specified, and so on.

In the *Emissions (Product A)* tab of the Data Form, enter the quantities of fuel used associated with the first product (basis of allocation) specified in the Gazette Notice for each specified financial year in boxes 9 to 15. As previously noted, only direct fuel use (such as oxidation or use as a feedstock), geothermal fluid, and fugitive coal seam gas (from domestic coal) emissions should be entered into the *Emissions* tab of the Data Form. Fuel used to produce heat/steam and electricity from a co-generation plant should be entered into the *Co-generation* tab of the Data Form (see below).

Fuel combustion emissions need to be apportioned between each product (basis of allocation). Where this cannot be clearly measured on the basis of fuel use or heat requirement of the processes that result in the individual products, firms should apply reasonable estimates and transparent assumptions. The approach used should be clearly disclosed in the Basis of Preparation (in section 4.2, under boxes 9 to 15 as appropriate).

The sum of emissions apportioned to each product (basis of allocation) of an activity with multiple products must not exceed the total emissions for the activity.

## Electricity emissions

Enter into box 16 the electricity consumed that is used as part of the activity for each relevant product.

If co-generation is used, the next line – electricity generated and used as part of the activity – will automatically fill once the *Co-generation* tab in the Data Form has been completed (see below).

## Co-generation emissions

The *Co-generation* tab is much the same for activities that only have a single product (basis of allocation) and only needs to be filled out if the firm undertakes co-generation. If a firm has multiple co-generation plants then they will need to contact the Ministry to request a special Data Form.

Enter into boxes 9 to 15 of the *Co-generation* tab the amount of fuel used to produce heat/steam by the co-generation plant.

Enter into box 16 of the *Co-generation* tab, the electricity generated by the co-generation plant that is used as part of the activity. There is a separate row for each product (basis of allocation). Where this cannot be clearly measured on the basis of electricity consumption of the processes that result in the individual products, firms should apply reasonable estimates and transparent assumptions. The approach used to apportion electricity generated between each product (basis of allocation) should be clearly disclosed in the Basis of Preparation (section 4.4).

The amount of electricity generated by the co-generation plant that is used by each product (basis of allocation) is automatically entered into the relevant row of the *Emissions* tab for each product (basis of allocation). Total electricity consumption will consist of electricity bought from the grid, and electricity consumed arising from co-generation or other generation types for each product (basis of allocation).

Also enter into box 16 of the *Co-generation* tab the electricity generated by the co-generation plant that is not used as part of the activity. This is required to correctly calculate the emissions attributed to steam production.

Enter into box 17 of the *Co-generation* tab the steam output from the co-generation plant that is used by each product (basis of allocation). There is a separate row for each product (basis of allocation). Where this cannot be clearly measured on the basis of heat requirement of the processes that result in the individual products, firms should apply reasonable estimates and transparent assumptions. The approach used to apportion steam output between each product (basis of allocation) should be clearly disclosed in the Basis of Preparation (section 4.4).

Also enter into box 17 of the *Co-generation* tab, the steam output from the co-generation plant that is not used as part of the activity. Emissions from steam produced that is not used as part of the activity are not included emissions for the purpose of eligibility or allocative baselines but are still required to correctly calculate the amount of emissions attributed to steam that is used.

Once the relevant parts of boxes 9 to 17 have been entered, the *Co-generation* tab calculates the steam emissions from the co-generation plant for each product (basis of allocation). This will be automatically entered into the summary row of the *Emissions* tabs for each product (basis of allocation).

# 9 Bottoming cycle co-generation plant

This section provides guidance about how emissions from bottoming cycle co-generation plants should be estimated and provided in the Data Form. We anticipate that this will only be relevant to the activity of iron and steel manufacturing from iron sand.

A 'bottoming cycle' co-generation plant is a type of generation plant in which waste heat and partially combusted waste gases from an industrial process are used to generate electricity. The main difference from other types of generation or co-generation plant, is that the input fuel is not used directly to generate electricity and process heat; instead it is used as a direct input to the process, as a chemical reactant as well as providing heat. Waste heat from the process, which is ultimately derived from the fuel, is then used to generate electricity.

To reflect these differences, a different Emissions Rule 5 applies for activities that involve firms using bottoming cycle co-generation plant. Where firms use bottoming cycle co-generation plant, they are required to use the Emissions Rule 5 set out below, and which has been included in the Gazette Notice for that activity.

## Bottom Cycle Emissions Rule 5

When electricity is generated from a bottoming cycle co-generation plant, no emissions are to be attributed to electricity generation.

The above Emissions Rule 5 will be included in the Gazette Notice for an activity where a firm or firms involved in that activity use a bottoming cycle co-generation plant. In such cases, firms must comply with Emissions Rule 5 above when providing their data in response to the Gazette Notice. For example, if coal is oxidised as part of the activity, producing waste gases which are used to generate electricity in a bottoming cycle co-generation plant then Emissions Rule 5 means the emissions should be attributed to the oxidation of coal rather than the electricity generation.

If supplementary firing is used, that is, if fuel is combusted in the bottoming cycle co-generation plant, that is additional to the waste gases, the emissions associated with this fuel are excluded emissions as listed in Schedule 3 of the Gazette Notice.

## Fuel and electricity data entry

The additional guidance provided below relates specifically to the data entry requirements for the Data Form where a firm uses a bottoming cycle co-generation plant.

### Boxes 9–15: Fuel combustion emissions

Enter into boxes 9–15 the quantity of fuel used or combusted associated with each product (basis of allocation). This includes fuel used as part of the activity by the relevant product (basis of allocation) from which waste gases were produced and used to generate electricity by the bottoming cycle co-generation plant. Where more than one product (basis of allocation)

is specified in the Gazette Notice, firms are required to apportion fuel combustion emissions between each product (basis of allocation).

### **Box 16: Electricity emissions**

Enter into Box 16 the amount of electricity used as part of the activity by the relevant product (basis of allocation).

Where the electricity used as part of the activity for the relevant product (basis of allocation) cannot be clearly measured, firms must apply reasonable estimates and transparent assumptions. These must be clearly disclosed in the Basis of Preparation. This includes the approach used to apportion electricity generated and used between each product (basis of allocation).



# 10 Other relevant information

## Overview

The three data preparation rules are listed below with explanatory notes where required. These are to be adhered to when preparing information to submit within the Basis of Preparation and Data Form.

### Data Preparation Rule 1: Disclosure requirements

The methods, assumptions and calculations used to produce the data must be disclosed in the Basis of Preparation along with the data in the Data Form.

The specific principles, methodologies and policies used to prepare and present the financial, production and emissions data by financial year should be clearly disclosed by firms in the Basis of Preparation and submitted with the Data Form.

This guidance outlines the data required for each box of the Data Form. The Basis of Preparation must be completed to support the data provided in the Data Form.

### Data Preparation Rule 2: Data uncertainty declaration

Where uncertainties arise when determining emission and revenue data, these uncertainties must be declared in the Basis of Preparation.

The industrial allocation process depends on firms supplying data for prior years where data may not have been captured in the form or detail required. More estimation may be required in these cases.

Areas of uncertainty likely include the extent of metering, calibration of meters, industrial standard calculations, default emission factors, key estimates and judgements, external invoicing and supplier data, and hedging transactions.

Firms must use accurate data where available. To the extent uncertainties arise, these must be disclosed in the Basis of Preparation.

### Data Preparation Rule 3: COVID-19

Firms have the option to nominate data affected by COVID-19 from either 2019/20 or 2020/21 to be disregarded from the allocative baseline and emissions-intensity calculations. This must be disclosed in the Basis of Preparation.

If firms intend to use this option, they need to indicate which financial year is to be disregarded in section 5 of the Basis of Preparation. In addition, firms are asked to state if they were considered an essential business during COVID-19 and provide commentary to outline how COVID-19 impacted their operations. Firms are required to provide data for all years (including if they nominate a year to be disregarded as a result of COVID-19).

# Interpreting activity boundaries and apportioning emissions

Allocation of emission units will be provided on the basis of activities, not on the basis of firms or sites. The definition of the activity which is potentially eligible for industrial allocation is contained in the relevant Gazette Notice.

Only emissions included within the activity boundary as defined in the Notice can be included in the data provided to the Minister. The Notice provides a definition of the activity, including its inputs and outputs, and a list of the sources of emissions which are to be included or excluded from the activity.

The activity definition sets out the transformation of specific inputs into specific outputs. This determines the beginning and end of the activity and therefore the parameters of the data which must be captured. Generally, an activity begins after inputs have been transported to where the core activity is conducted, such as a storage facility on site. Activities generally end once the described output is produced by the transformation. Firms must carefully consider the activity definition contained in the Gazette Notice relevant to their activity, and in particular the included and excluded emissions. Only included emissions, as defined, should be entered into the Data Form to be submitted to the Minister.

Because allocation is made on the basis of activities, rather than firms, there will be processes undertaken by the same firm which may be considered important to the conduct of the business, such as packaging, head office costs, administration and marketing activities, yet are not integral to the activity as defined. A number of these exclusions are applied to all activities.

Similarly, emissions generated upstream or downstream of an activity will also be excluded, aside from fugitive coal seam gas emissions (from domestic coal). For example, emissions associated with extraction activities upstream of the input to the activity are generally excluded from the activity boundary. This includes all processing, other types of fugitive emissions, and treatment of any input before it becomes the input to the activity. In the case of production of cartonboard for example, the emissions associated with the production of wood chips or sawdust before becoming an input to the activity fall outside the activity boundary.

In several cases, specific additional exclusions have been identified in the activity definition for particular activities to aid clarity. For example, the production of fresh cucumbers specifically excludes emissions from the movement of seedlings from the propagation area to their final growing position.

Reasonable estimates and assumptions are needed to apportion emissions between processes carried out by a firm. These must be clearly disclosed in the Basis of Preparation and may include information on which apportionment has been made.

In certain cases, inputs that are integral to and essential for the transformation that occurs during the particular activity are specifically identified in the list of included emissions for that activity. For example, the emissions from generating steam that is consumed as part of the activity is specifically included in the case of the production of caustic soda. These emissions may be generated by the person carrying out the activity or they may be generated by an independent supplier; in either case, these emissions are included.

The Gazette Notice also defines the product (basis for allocation). In some instances, different products have been defined as activity outputs for eligibility purposes and as the product for allocative baselines. This is the case for the manufacture of iron and steel which has sub-allocative baselines for cast carbon steel products, and hot-rolled steel products, to account for the differing emissions intensities of the various processes. This is also the case for the production of cartonboard which includes allocative baselines for producing pulp from either raw wood products, or recovered paper, which is then used to produce cartonboard.

## Declaration

The statement of declaration must be submitted together with the Data Form and Basis of Preparation. The Declaration expressly confirms that the data and information contained in the Data Form and Basis of Preparation are true and correct and represent the firm's assessment of the data and information required to be submitted in accordance with the relevant Gazette Notice issued pursuant to section 161D of the Climate Change Response Act 2002.

The Declaration requires the date and the full name, position, contact details and signature of the person who is signing on behalf of the firm. For firms that are incorporated bodies (including companies, incorporated societies, incorporated trusts, or limited partnerships) the declaration must be signed by an individual with authority to submit the information from the incorporated body.

## Penalties and verification

Information provided to the Minister during the data collection must be a correct representation of the actual situation. The rules governing the submission of data required under a Gazette Notice do not contain requirements for mandatory third-party audits or verifications. However, data submitted in response to a Gazette Notice will need to be accompanied by a signed declaration. The Minister also has the power under the Act to require any further information considered necessary to enable the verification of the accuracy of the information.

The allocation process relies on a self-assessment regime, similar to that of the New Zealand income tax system. Accordingly, a penalties regime is in place to prevent the provision of incorrect information. This includes penalties for knowingly providing altered, false, incomplete or misleading information. Also, where information required as part of this data collection is not submitted, the firms who do not provide this information may not be eligible for allocation (section 161D(6) of the Act).

To help firms supply accurate and complete data in response to a Gazette Notice, the Ministry has created a [web page](#) which will be updated with frequently asked questions, and a dedicated email address for firms to directly engage with officials. In addition, during the data collection period virtual one-hour workshops/drop-in sessions will be held to give firms the opportunity to receive direct face-to-face feedback on the submission process and raise any challenges that they might be facing.

Those firms who supply information to the Minister are encouraged to quality assure the information provided under the allocation processes. Firms may wish to engage third parties to conduct this quality assurance.

## Record retention

The Act contains a general requirement for persons applying for allocation to keep sufficient records to enable the Ministry to verify that they are entitled to receive an allocation, the amount of production they reported and calculations of their allocation. Firms should provide information of sufficient detail to satisfy the Ministry that the assumptions and methodologies used to calculate the emissions and revenue data provided are reasonable.

While the Gazette Notice does not require firms to submit the source information or records on which the data in the specified template is based, it would be prudent to retain this information for a period of seven years. As already noted, the Minister has the power under the Act to require any further information considered necessary to enable the verification of the accuracy of the information.

# Glossary

Term	Definition
<b>Activity output</b>	The output(s) of a defined activity which is used to calculate revenue.
<b>Allocative baseline</b>	An emissions factor that represents the amount of emissions attributed to the manufacture of a unit of product.
<b>Carbon dioxide equivalent</b>	A metric used to compare the emissions from different greenhouse gases based on their global warming potential. For this data collection the unit is defined as CO <sub>2</sub> -e.
<b>Co-generation</b>	The combustion of fuels to generate both heat and electricity.
<b>Direct fuel use</b>	Fuel that is used on site where the activity is undertaken.
<b>Electricity allocation factor</b>	An emissions factor that estimates the cost impact of an emissions price on the price of electricity.
<b>Eligibility</b>	In the context of industrial allocation, eligibility means meeting the requirements in the Climate Change Response Act 2002 to receive an allocation of units.
<b>Emissions factor</b>	A factor that converts some input quantity (such as tonnes of fuel) into an equivalent amount of emissions (either from direct use or other processes) released during a chemical/physical/biological transformation of the input.
<b>Emissions intensity</b>	An amount of emissions per unit of some parameter. In the context of industrial allocation it generally means the amount of emissions released from a particular activity per one million dollars of revenue.
<b>Emissions intensive</b>	Activities that reach a certain emissions intensity threshold.
<b>Fugitive coal seam gas emissions</b>	Methane gas trapped between coal seams that is released in the mining process.
<b>Gazette Notice</b>	A legal notice that is published in the New Zealand Gazette – the official newspaper of the New Zealand Government.
<b>Greenhouse gases</b>	Gases in the Earth’s atmosphere that absorb and emit radiation at similar wavelengths to those emitted by the Earth’s surface and consequently cause the greenhouse effect. In the context of this data collection greenhouse gases are often referred to as emissions.
<b>Industrial allocation</b>	A policy which offsets a portion of emissions costs placed on emissions-intensive and trade-exposed firms by the New Zealand Emissions Trading Scheme through a free allocation of New Zealand Units.
<b>New Zealand Emissions Trading Scheme</b>	An emissions market that produces a price signal to encourage emissions reductions. It is the Government’s primary tool to reduce emissions.
<b>Product (basis of allocation)</b>	An output of a defined activity that is used as the basis to determine the total emissions from that output.
<b>Revenue</b>	In the context of this data collection, revenue is defined as an appropriate market price of the activity output multiplied by the total amount of saleable output.
<b>Trade-exposed</b>	The activity output is exposed to international trade.