



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



Discussion Paper

Climate Related Disclosures - Proposed Climate Statement filing fee

January 2023

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (MBIE) is seeking written submissions on a proposed fee for climate related entities to file their annual Climate Related Disclosure statement.

This discussion paper includes questions you may like to respond to in your submission. Your submission does not need to answer all of these questions. Where possible, please include evidence to support your views, for example, references to facts and figures, or relevant examples.

Please send your submission before **5pm on 6 March 2023**. Please include your name, or the name of your organisation, and contact details. You can make your submission by:

- Attaching your submission as a Microsoft Word or PDF attachment and sending to climatefee@mbie.govt.nz; or
- Mailing your submission to:

Corporate Governance and Intellectual Property Policy
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Please direct any questions that you may have in relation to the submission process to:

climatefee@mbie.govt.nz

Use of information

The information provided in submissions will be used to inform our advice to Ministers on the proposed fee. We may contact submitters directly if we require clarification of any matters in submissions.

Except for material that may be defamatory, we may post PDF copies of submissions received to our website at www.mbie.govt.nz. By making a submission, we will consider you to have agreed to us posting your submission, unless you clearly specify otherwise in your submission.

Release of information

Submissions are subject to the Official Information Act 1982. Please tell us as part of your submission if you have any objection to the release of any information in the submission, which parts you consider should be withheld, and include your reasons for withholding the information. We will consider any objections you note and consult with you when responding to requests under the Official Information Act 1982.

Please indicate on the front of your submission if it contains confidential information and mark the text accordingly. If you wish to make a submission which includes confidential information, please send us a separate version excluding the relevant information for publication on our website.

Private information

The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including us. Any personal information you supply to us as part of your submission will only be used to help inform the development of policy advice in relation to this review. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that we may publish.

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Purpose of this document

This discussion document outlines proposals for regulations to be implemented under the Financial Markets Conduct Act 2013. The proposed regulations will introduce a new fee associated with filing the climate statements that are required under section 461H of the Financial Markets Conduct Act 2013.

We welcome your written submissions on the proposals included in this document. Once we have considered your submissions, we will provide advice to Cabinet for consideration before regulations are made before the end of 2023.

Proposed milestones for this process are:

Due date	Action
6 March 2023	Deadline for submissions to MBIE
September 2023	Regulations made
1 February 2024	Regulations enter into force

How to use this document

Questions for your consideration and feedback can be found at the end of the document. We welcome any other relevant comment or information that you wish to provide on the proposals.

Information on how to make a submission is provided at the beginning of this document.

1. Introduction

1.1. New climate-related disclosure (CRD) regime – rationale

Reducing greenhouse gas emissions and addressing the climate change risks identified in the National Climate Change Risk Assessment¹ are priorities for the Government.

Many businesses today face significant risks (and potentially opportunities) relating to climate change. Risks include physical risks, such as more frequent or severe weather events like flooding and storms, as well as transition risks that result in rapid repricing of financial assets, arising from shifts in policy or changes to consumer preference and behaviours. The same changes may also result in opportunities, such as through new technology development, and the opening of new markets to meet those changes in consumer preference.

Few businesses are providing adequate information to investors about how climate change may impact their business. The Productivity Commission's Low Emissions Economy report² stated that the information deficit amongst the majority of large New Zealand entities on how climate change might impact their business is driving poor medium- to long- term decision making, mispricing of assets and the misallocation of capital. This in turn creates macro-economic financial stability risks and creates barriers to investment in low-emissions and resilient economic activities needed to meet New Zealand's 2050 zero carbon target.

The Government, therefore, introduced mandatory climate-related disclosures (CRD) for some financial sector organisations to:

- ensure that the effects of climate change are routinely considered in business, investment, lending and insurance-underwriting decisions;
- help climate reporting entities better demonstrate responsibility and foresight in their consideration of climate issues; and
- lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low emissions economy.

1.2. Disclosure regime - legislation, standards and requirements

The new climate reporting regime was introduced by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (CRD Act)³. The CRD Act amends the Financial Markets Conduct Act 2013 (the FMC Act)⁴, the Financial Reporting Act 2013⁵ and the Public Audit Act 2001⁶.

'Climate reporting entities' (CREs) are entities that meet the asset- or revenue-based thresholds set out in the FMC Act, namely:

¹ [First national climate change risk assessment for New Zealand | Ministry for the Environment](#)

² [Productivity-Commission Low-emissions-economy Final-Report.pdf](#)

³ See [Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Act 2021 No 39, Public Act Contents – New Zealand Legislation](#)

⁴ [Financial Markets Conduct Act 2013 No 69 \(as at 27 October 2022\), Public Act Contents – New Zealand Legislation](#)

⁵ [Financial Reporting Act 2013 No 101 \(as at 27 October 2022\), Public Act Contents – New Zealand Legislation](#)

⁶ [Public Audit Act 2001 No 10 \(as at 01 July 2022\), Public Act Contents – New Zealand Legislation](#)

- listed issuers of quoted or quoted debt securities (total face value exceeding \$60 million)
- banks, credit unions and building societies with total assets over \$1 billion
- managers of registered investment schemes (other than restricted schemes) with total assets under management of over \$1 billion
- licensed insurers with total assets over \$1 billion or annual gross premium revenue over \$250 million.⁷

CREs will be required⁸ to disclose the risks and opportunities that climate change presents to their business by preparing an annual climate statement. The climate statement must be prepared in compliance with standards to be issued by the External Reporting Board (**XRB**). The XRB issued the first [Aotearoa New Zealand climate standards](#) in December 2022 and these are applicable for financial years commencing on or after 1 January 2023.

The relevant provisions (Part 7A) of the FMC Act entered into force on 27 October 2022.

2. Climate statements must be lodged with the Registrar of Financial Service Providers

CREs must lodge their climate statements with the Registrar of Financial Service Providers (the **Registrar**) at the Companies Office within four months after the balance date of the entity⁹. For example, an entity with a 31 December balance date will be required to lodge their first climate statement by 30 April 2024.

MBIE and the FMA have thus far identified around 200 entities which currently qualify as CREs. The entities that qualify as CREs may fluctuate a little over time as entities' assets or revenue fall below or meet the thresholds.

Some CREs will be managers of registered schemes and those schemes may comprise many discrete funds. Under section 461ZC of the FMC Act as amended by the CRD Act, climate statements must be completed in respect of each fund. We estimate that there may be as many as 600 funds concerned. How managers of registered schemes complete climate statements for their funds may affect the costs involved in administration of the register and therefore the proposed filing fee may increase.

We intend to make climate statements, when lodged, publicly available on a register to be established by the Registrar under clause 8 of Schedule 2 of the FMC Act. The new register will be administered by the Companies Office through their website ([New Zealand Companies Office](#)).

⁷ See Subpart 1, Part 7A of the FMC.

⁸ See Subpart 3 of Part 7A of the FMC .

⁹ Section 461ZI FMC.

3. Funding of the new climate statement register

There will be significant costs involved in setting up and administering the new climate statement register.

These costs can be recovered through full cost recovery from fees charged to CREs when they lodge their climate statements, through Crown funding, or a combination of these.

3.1. Costs to establish and run new climate statement register

The cost to establish and administer the new climate statement register has two components – establishment and annual ongoing operating costs. These are summarised in Table 1.

Table 1 – Proposed cost of new climate statement register (NZD)

Cost category	Nature	Establishment	Annual
IT	IT system	520,000	5,000
Education	Personnel	35,000	0
	Supplies/travel	6,000	0
	MBIE support	20,000	0
Business operations	Personnel	0	16,500
	Supplies/travel	0	500
	MBIE support	0	10,000
Total cost		581,000	32,000

3.1.1. Establishment costs

The establishment cost is estimated to be \$0.581 million. This is primarily IT investment in developing an online system that will allow CREs to lodge their climate statements and allow online searching for climate statements on the register by third parties. The establishment cost also includes the education-related costs of informing CREs of their obligations under section 7A of the FMC and how they must lodge their climate statements.

The IT cost is estimated at \$0.520 million and includes the staff time to complete the following functions:

- Business case development
- Business requirements
- Solution design and development
- User testing
- Security accreditation
- Business processes and training
- Website landing page development

The education cost is estimated at \$61,000, encompassing 0.4 FTE and will entail the following:

- Support website content
- Support from the Service Delivery Service Centre (SDSC)
- CRE support resources and webinars
- Annual compliance reminders
- Single point of contact for email support

As these are one-off costs, it is proposed that the fee reflects recovering this cost over a five-year period, assuming 200 filings a year. This provides an equitable approach as otherwise the establishment cost and fee would be significantly higher for filing entities in the first year. This fee will be reviewed in five years' time as part of the wider Companies Office fees review and the fee adjusted accordingly, to reflect ongoing annual costs only.

3.1.2. Ongoing administrative costs

A full costing model has been developed based on the staff time taken to process a submission, collect the fee and associated Financial Markets Authority (FMA) climate related disclosure (CRD) levy and any maintenance of the register.

The annual cost of processing, reviewing and publishing the climate statements and maintaining these to be searchable through the Companies Office website is estimated to be \$32,000. This was determined from the time taken to complete the process of reviewing the climate statement multiplied by the forecast number of 200 CREs. Forecast number of CREs multiplied by time taken per activity determined a requirement of 0.2 FTE. This was multiplied by the average FTE salary, with an allowance for superannuation and ACC, giving an annual personnel cost of \$16,500.

Additional ongoing annual costs include IT support for the register of \$5,000, supplies \$500 and MBIE support costs of \$10,000 (31 percent of total costs).

3.2. Funding options

The Government's overarching funding policy is that, where appropriate, recipients of specific government activities are charged to recover some or all of the costs of those activities.

It is appropriate for the government to charge fees or levies when the goods or services:

- provide an individual or group of individuals (and not the population as a whole) with a direct benefit; or
- are necessary to mitigate risks presented by the activities of an individual or group of individuals.¹⁰

The objective of the CRD regime is to contribute to the Government's programme to reduce greenhouse emissions and adapt to the effects of climate change. In particular, as stated earlier in this document, the objectives are to:

- ensure that the effects of climate change are routinely considered in business, investment, lending and insurance underwriting decisions;
- help climate reporting entities better demonstrate responsibility and foresight in their consideration of climate issues; and

¹⁰ Setting and administering fees and levies for cost recovery: Good practice guide. Office of the Auditor General, 2021.

- lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low emissions economy.

Investors and CREs receive direct benefits from the filing of climate statements. Investors (or potential investors) of CREs will be able to access climate statements to assess and make investment decisions based on how well a CRE is considering the risks and opportunities around climate change. CREs receive benefits from demonstrating responsible climate change practices to potential investors.

Crown funding (cost recovery through general taxation) may be appropriate when excluding people from the benefits of a service is difficult, costly or undesirable, and its use by one person does not detract from its use by another. While excluding people from receiving the benefits of climate statements is undesirable, the benefits for the general public are largely indirect and only a small proportion of the general public would actually access climate statements to receive direct benefits.

In this discussion document, we are proposing charging a fee to recover the costs of the new register, rather than to secure Crown funding.

3.3. Cost recovery proposal – fee charged to CREs

3.3.1. Proposed climate statement filing fee

We propose to charge the proposed fee to CREs.

As mentioned above, investors or potential investors may also receive benefits from accessing climate statements. In practical terms, cost recovery from these parties may mean a charge to search the new register. However, a charge for searching register could discourage third parties from using the register as a source of information to guide their investment decisions. This would be contrary to the objectives of requiring CREs to prepare and lodge climate statements.

Based on the costs outlined in Table 1 above, Table 2 below, we propose that the fee for each year’s filing be set at \$740, excluding GST, in order to receive the total cost of the regime over a five-year period.

This would be in addition to the climate related disclosure levy currently being paid to the FMA. When the fee is introduced, CREs will pay the filing fee and the levy to the Companies Office and invoicing from the FMA will cease. The fee and levy will need to be paid before a disclosure statement can be deemed accepted and published on the CRE register.

Table 2 – Fee based on five-year recovery period for establishment costs

	Cost to service		Proposed fee	
	GST excl	GST incl	GST excl	GST incl
Filing fee	\$741.12	\$852.29	\$740.00	\$851.00

A climate statement filing fee is consistent with the existing approach under the FMC Act. In particular, entities required to report under the FMC Act are charged a fee to file their financial statements. That fee is set at a level which recovers the entire costs incurred by the Registrar. Those costs include receiving and processing their statement, placing them on the relevant register and providing for searches of the register.

We propose that the fee be a flat fee. That is, all CREs would be charged the same fee regardless of their size or the nature of the CRE. This is because the work required to process climate statements will be similar across all types of CREs (whereas the tiered CRD levy paid by CREs under Regulation 12A of the Financial Markets Authority (Levies Amendment) Regulations 2022 reflects the increasing levels of resources required to enforce the CRD regime according to their size and complexity of business). In addition, the filing fee is small compared to the CRD levy (see table of CRD Levies in **Annex 1** of this document).

The proposed costs and fee in this paper are expressed as GST exclusive, except where stated otherwise. The proposed fee is based on the costing model described under the **CRD function costs** section above.

The fee will be reviewed at the end of a five-year period or earlier as aligned with the wider Companies Office fee reviews.

3.3.2. Principles guiding the fee proposal

In developing the cost recovery proposal, we have been guided by principles set out in Treasury's Guidelines for Setting Charges in the Public Sector and the Auditor-General's Charging fees for public sector services.¹¹ The key criteria and considerations are discussed below.

Equity:

We expect that the entities that meet the criteria to be a CRE will not change significantly over time. Therefore, the cost model which spreads the cost of the new register over five years (according to standard accounting practice) will not unfairly impact CREs. In addition, fees are reviewed regularly at three to five year intervals to ensure they continue to meet these guidelines.

Effectiveness:

The Companies Office experience in registers will ensure that the proposed register and associated processes will provide the required functionality and is fit for purpose.

Efficiency:

The Companies Office administers many registers and has systems to receive, lodge and disclose documents. The Companies Office's experience and economies of scale will ensure that the resourcing and costs will be kept at appropriate levels. This includes efficient collection of the fee by collection at the same time as other annual charges.

¹¹ Available here: <https://treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf> and <https://www.oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf>

Simplicity:

Flat fee – same activity regardless of size and type of CRE. In addition, impact is nominal compared to FMA CRD levy which is tiered because enforcement may be more complex for larger CREs.

Legal authority:

There is legal authority to charge such a fee. Section 548(1)(o) of the FMC Act provides for regulations to be made prescribing fees and charges payable in respect of any matter under this Act or the manner in which fees and charges may be calculated. The fee can be efficiently collected via the Companies Office website when the climate statement is filed.

3.3.3. How will this affect businesses?

Only those businesses which meet the definition of CRE in the FMC Act will be required to pay the fee when they lodge their climate statements. It will be an annual fee, and will affect approximately 200 businesses, all of which are large businesses. Small and medium sized businesses, who make up more than 97 percent of New Zealand businesses would not be affected.

It is intended that the regulations prescribing the new fee would not enter into force until 1 February 2024. CREs who lodge their climate statements after this date will be liable to pay the new fee. Climate statements must be lodged within four months of a CRE's balance date.

4. FMA CRD levy

In August 2022, the Financial Markets Authority (Levies) Regulations 2012 were amended to prescribe a CRD levy on CREs (see **Annex 1** for the levy payable). This levy gives effect to Budget 2022 decisions that a portion of the FMA's costs in relation to its new statutory functions under the CRD regime are recovered from levy payers.

The costs incurred by the Registrar in establishing and administering the new climate statement register cannot be included in the FMA CRD levy because that levy specifically funds the Crown to fund the FMA's CRD regime enforcement function. There is no legal authority to use funds raised by the levy for any other purpose.

5. Companies Office cost recovery review

Following passage of the Companies (Levies) Amendment Act 2022 in November 2022, we will introduce for the Companies Office a hybrid cost-recovery model balancing fees and levies for its existing services. The proposed fees and levies will be put out for public consultation in the first half of 2023. We intend that the fee for lodging climate statements will be excluded from this initial review, but will be incorporated into the Companies Office fee reviews in the future.

6. Search criteria

We intend the new register of climate statements to be searchable. At this stage we propose that the register be searchable on the basis of the CRE legal name and New Zealand Business Number (NZBN), and this would be mandatory by the CRE when filing. An NZBN is assigned to an entity when they register on any of the Companies Office registers (e.g. when the entity is a company) or can be obtained at no charge from the NZBN Registrar (e.g. when the entity is a sole trader). In addition, we also propose that the regulations provide for other criteria to be added, if in future additional criteria is seen as useful.

7. Next steps and implementation

We welcome your written submissions on the proposals discussed in this document. Please provide your feedback to us before 5pm, 6 March 2023. Instructions on how to submit your submission can be found at the beginning of the document.

Once we have considered the submissions we will develop final proposals, which, if approved, will form the basis of new regulations under the Act. Please see page 5 ('Purpose of this document') for a proposed timeline of key milestones.

8. Questions

Question 1:

A new register is to be established to make climate statements lodged with the Registrar by CREs publicly available. We propose that the costs associated with establishing and administering this register be recovered entirely from fees paid by CREs.

What are your views on how the costs of the new register are recovered? Do you think it reasonable that the cost is borne entirely by CREs?

Question 2:

We propose that the one-off cost of establishing the new register be recovered over a five-year period. The cost of establishing the new register is estimated to be \$0.581 million. This is made up from the IT costs of \$0.520 million and a cost of \$61,000 for an education programme informing CREs about their filing obligations.

What are your views on the 5 year period for recovering establishment costs? Do you think this is reasonable?

Question 3:

We are proposing a flat fee for filing a climate statement of \$740 (GST exclusive) to be paid by all CREs when they file their annual statement.

What are your views on the proposed fee? Do you have a view on charging the same fee for all CREs?

Question 4: What impact would the proposed fee have on your business?

Question 5: We propose that the new register of climate statements be searchable, with the search criteria being the CRE legal name and NZBN with provision to add other criteria in future if this is considered useful. Do you agree with this? What other search criteria (if any) should be available?

Annex 1: Levies paid by CREs under the Financial Markets Authority (Levies) Amendment Regulations 2022

The table below sets out the FMA levy payable under the Financial Markets Authority (Levies) Amendment Regulations 2022 for CREs in the financial years 2022/23, 2023/24 and 2024/25.

Class 16 – Climate-reporting entities	FMA levy payable (GST inclusive) 2022/23	FMA levy payable (GST inclusive) 2023/24	FMA levy payable (GST inclusive) 2024/25
Banks, credit unions and building societies			
Total assets exceed \$10b	\$50,600	\$58,650	\$57,500
Total assets exceed \$1b, but does not exceed \$10b	\$24,150	\$28,750	\$27,600
Fund managers			
Total assets exceed \$10b	\$39,100	\$46,000	\$44,850
Total assets exceed \$1b, but does not exceed \$10b	\$17,250	\$20,700	\$19,550
Licensed insurers			
Total assets or annual gross premium revenue exceed \$1b	\$6,670	\$7,590	\$7,360
Total assets are \$1b or less and gross premium revenue exceeds \$250m but does not exceed \$1b	\$3,105	\$3,795	\$3,335
Listed issuers			
Listed issuers	\$1,840	\$2,300	\$2,070