

Opening remarks for Minister Watts for Estimates hearing - 19 June 2025

Introduction

- I'd like to start reflecting on what we have achieved to date, and how that sets us up to face the challenges which remain.
- This Government is committed to meeting our climate change targets while driving economic growth. We reinforced this commitment by making climate change one of our nine public sector targets.
- We released our Climate Strategy, a plan that sets the direction for cutting emissions and preparing for the impacts of climate change.
- We've also set our next international climate target under the Paris Agreement to align with our domestic commitments, so we can focus on the actions that make the biggest difference. We remain committed to the Paris Agreement.

Second emissions reduction plan (ERP2)

- Our focus over the year ahead is on putting the strategy into action to deliver on the targets we have set.
- Our second emissions reduction plan is our blueprint for reducing emissions in the second half of this decade. The plan includes targeted actions in key sectors - agriculture, transport, energy and waste - as well as the New Zealand Emissions Trading Scheme and sustainable finance.
- We have already begun work on 30 out of the 36 actions within the second emissions reduction plan. Through these actions, we will increase New Zealand's clean energy, encourage world-leading innovation, ensure we have an efficient and competitive agricultural sector, and boost sustainable investment.
- This goes hand-in-hand with our agenda of growth. We will support our economy while reducing emissions, so everyone in New Zealand can thrive.
- Budget 2025 sets an efficient approach to the climate work programme, in line with the Government's approach to controlling growth in spending.

- Our actions are working. We're currently tracking towards meeting our first and second emissions budgets.
- But we'll continue to monitor closely. The second emissions reduction plan outlines an adaptive management approach, which allows for a proportionate response when circumstances change, to ensure we remain on track.
- We know things have changed since publishing the plan and we will provide an update on our response later in the year when we have updated emissions projections.
- While government policy plays an important role in shaping emissions outcomes, global trends and market forces—such as shifts in energy demand, technological innovation, and commodity prices—often exert equal or greater influence by driving large-scale changes in production, consumption, and investment patterns.
- But the Government remains committed to key policies in the second emissions reduction plan, playing an enabling role alongside global trends and market forces, including:
 - Enabling more renewable energy projects through Electrify NZ.
 - Targeting a network of 10,000 EV charging points by 2030. In April, we announced updated Government co-investment to support this goal.
 - Introducing agricultural emissions pricing systems by 2030 and incentivising the uptake of new technologies.
 - Exploring private-sector partnerships to plant trees on Crown-owned land that has low conservation and farming value.
 - Introducing a regulated product stewardship scheme for refrigerants from 2025.
 - Leveraging the Waste Minimisation Fund to enable resource recovery systems and infrastructure to process organic waste.
 - Improving organic waste management and landfill gas capture to increase landfill gas recovery rates.
- This year we're looking at how we can increase sustainable investment and remove the barriers to investment, to support our emissions reductions goals.
- For example, we're working with Toitū Tahua - the Centre for Sustainable Finance to develop a sustainable finance strategy and taxonomy for New Zealand. These

building blocks for a sustainable investment market will give investors clarity and confidence on which economic activities are sustainable, helping us move to a low emissions economy.

New Zealand Emissions Trading Scheme (NZ ETS)

- The New Zealand Emissions Trading Scheme is our key tool for reducing emissions.
- A credible ETS is our most powerful and cost-effective tool to drive down net emissions across the economy. Stability and confidence are key: businesses won't invest in emissions reductions without stable policy and adequate incentives to do so.
- We took a key decision last year to substantially reduce ETS auction volumes – by 24 million units - to ensure that ETS settings are aligned with meeting our climate targets
- We are currently seeking feedback on this year's annual review of auction settings and other regulations of the ETS. This review will ensure that we remain on track to meet our targets and that the ETS runs accurately and efficiently for participants.
- Last month [May], we announced we were strengthening the market governance of the ETS. These new measures will improve market information and address risks such as price manipulation, while minimizing the additional compliance burden on market participants.
- And just last week [10 June] the Government introduced changes to climate legislation to limit whole-farm conversions to forestry, delivering on a key election promise to protect the future of New Zealand food production.
- Both of these new policy measures will support confidence in the credibility of the ETS market.

National adaptation framework

- We're also taking action to adapt to climate change, to protect the things we value while building New Zealand's growth and prosperity.
- Last year we built cross-party consensus through an inquiry into climate adaptation, and I'd like to acknowledge members from other parties for their contributions to date on this important piece of work.
- We're now working as quickly as possible to introduce legislation to support an enduring national adaptation framework.

- The framework will help New Zealanders better understand and manage the risks to our homes, communities and economy from a disrupted climate. It will help people to make informed decisions about how to adapt, and provide greater certainty to support economy-growing investment.
- Development of the framework focuses on:
 - improving access to information, so people can make informed decisions about managing their risks
 - clarifying roles and responsibilities
 - principles to guide investments in resilience
 - who pays, and how we provide more certainty for property owners.

Conclusion

- The programme of work underway will continue to keep us tracking towards our targets and help New Zealand prepare for the impacts of climate change, while allowing our people, environment and economy to thrive.
- Thank you, and I welcome questions from Members.