Ministry for the Environment
Manatū Mō Te Taiao

PROACTIVE RELEASE COVERSHEET

Minister	Hon Todd Mcclay, Hon Simon Watts	**Portfolio**	Climate change
Name of package	Advice on the exclusion of agricultural emissions from the ETS	**Date to be published**	

List of documents that have been proactively released		
Date	***Title***	***Author***
06 June 2025	BRF-6320 – Briefing: Further 2050 target advice: policy impacts	Ministry for the Environment
10 July 2025	BRF-5983 - Draft Cabinet paper: Resetting the 2050 domestic emissions reduction target	Ministry for the Environment
22 August 2025	BRF-6279 - Briefing: 2050 target - additional legislative changes and implications of decisions	Ministry for the Environment
28 August 2025	BRF-6741 - Options to maintain the currency of ERP2	Ministry for the Environment
8 September 2025	BRF-6730 - Cabinet material for 2025 adaptive management assessment and Government response to Climate Change Commission's annual monitoring report	Ministry for the Environment
23 September 2025	CAB-592 - Updating the 2050 domestic climate change emissions target	Ministry for the Environment
29 September 2025	BRF-6873 - Briefing: 2025 adaptive management assessment and Government response to the Climate Change Commission's emissions reduction monitoring report – approval to lodge Cabinet paper	Ministry for the Environment
13 October 2025	BRF-6920 - Draft discussion document to support consultation on the ERP2 amendment	Ministry for the Environment
07 November 2025	CAB-571 - Progress Towards Second Emissions Budget and Government Response to Climate Change Commission's Emissions Monitoring Report	Ministry for the Environment
	Draft Cabinet paper (incorporating the Minister of Climate Change's comments)	Ministry for the Environment

Information redacted **YES** **NO**

Any information redacted in this document is redacted in accordance with the Ministry for the Environment's policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Summary of reasons for redaction

Some information has been withheld from *[Document title]* under Section [section] of the Official Information Act [reason].

Briefing: Further 2050 target advice: policy impacts

Date submitted: 06/06/2025
Tracking number: MfE BRF-6320; MPI B25-0329
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Todd MCCLAY **Minister of Agriculture** Hon Simon WATTS **Minister of Climate Change**	**Note** the contents of this briefing, including potential implications of removing an agricultural emissions pricing system from greenhouse gas modelling. **Provide** feedback on this briefing.	11/06/2025

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment (advice@mfe.govt.nz).

Appendices and attachments
Appendix One: Pipeline of mitigation technology Appendix 1 withheld in full under section 9(2)(b)(ii) of the Act

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
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Position	***Name***	***Cell phone***	***First contact***
Responsible Manager	Beth Hampton	9(2)(a)	✓
Director	Jane Chirnside	9(2)(a)	
Deputy Director-General	Julie Collins	9(2)(a)	

Minister's comments

Further 2050 target advice: Policy impacts

Key messages

1. This briefing responds to your request for analysis of the impacts of removing agricultural emissions pricing from projections across the biogenic methane target options being considered for the 2050 target; and how this abatement could be met.

Summary of key results

2. Removing agricultural emissions pricing, in the absence of any other action, across all scenarios you would have an additional 10.6Mt shortfall in emissions budget 3 (EB3). Without this measure, Emissions Reduction Plan 2 projected that New Zealand would achieve only a 10% reduction in biogenic methane emissions below 2017 levels by 2050 – although this did not take into account potential additional market led abatement.

3. If you were to adjust the level of effort made by the agriculture sector such that the agriculture sector does only what is required to be on a linear path[1] to 2050 targets of 14%, 14-24%, or 24%, then:
    a. You would need 1.4, 2,8 or 4.2 Megatonnes (Mts) of abatement respectively in EB3 (assuming EB3 stays the same)
    b. 9(2)(b)(ii) and
    c. You would increase the EB3 shortfall by 9.2, 7.8, and 6.5Mt compared to the status quo (which has an existing 9.2 Mt gap).

Options to meet the gap

4. If you were to assume that current market-led activity continued beyond 2030, we estimate that 3.8 to 12.5 Mt[2] of abatement could be met by the market over EB3. We consider the lower end of this range is more likely as current market-led activity is not specifically geared towards uptake of mitigation technologies. It also currently rewards activities that reduce net emissions outside the biogenic methane target.

5. To drive further biogenic methane abatement, you could consider government support for uptake of new technologies (incentives), or regulatory requirements to meet environmental performance standards or adopt new technologies. Alternatives to agricultural emissions pricing could be designed to deliver sufficient mitigation, and to reduce risks to production and emissions leakage (i.e., they could be designed to support growth). In the absence of Government intervention, the level of methane abatement seen will be driven by the ambition of the market.

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[1] Note ERP2 reduction of 10.6 Mt from agricultural emissions pricing achieved more reductions than implied by a linear path to at 24% 2050 methane target.
[2] This range is simply the $50m of funding per annum that Fonterra receives from Nestle and Mars multiplied by 5 years to reflect the EB3 period, and using mitigation costs of $20 per tonne and $65 per tonne representing the high technology and low technology scenarios.

6. You could also consider shifting any mitigation gap in whole or in part to sectors covered by the New Zealand Emissions Trading Scheme (NZ ETS) – which would shift the burden onto these sectors (in particular, energy and transport). While this would assist in meeting EB3 which is set on an "all gases" basis, it would not assist in meeting biogenic methane targets. This would raise NZ ETS prices (impacting businesses and households) and bring forward the point in time when auction volumes fall to zero, after which the government has little influence over the NZ ETS via unit and price control settings. This may also affect the overall cost to the economy of achieving EB3 – agricultural mitigation could end up lower in cost than NZ ETS mitigation, meaning shifting the burden from agriculture to the NZ ETS may increase the overall costs of meeting EB3.

Changing EB3

7. Emissions budgets are intended to be stepping stones towards reaching the 2050 climate targets, and so if the target was reduced, you could choose to reconsider the level of the emissions budget(s). However, if you were to allow for more emissions in EB3, this would create a gap for New Zealand in its 2035 Paris Agreement target (New Zealand's second Nationally Determined Contribution, NDC2). As any downward revision to NDC2 is likely to find New Zealand in breach of the Paris Agreement, this could mean the Crown needs to purchase offshore units to close this shortfall.

Background

8. We previously provided advice on options for changes to the 2050 emissions target (BRF – 6017/B25-0174 and BRF-5923/B25-0144 refer). This advice assessed options for target change based on their impact on the economy and the climate, as well as their feasibility, and included the results of economic and temperature impact modelling.

9. Based on this assessment, officials preferred option for changes to the 2050 target is to clarify the biogenic methane component of the target at a 24% reduction below 2017 levels.

10. Also relevant is that since 2014 agricultural emissions have decreased by 6%; with the sector reducing emissions by over 5% in just the last three years between 2020 and 2023. Total biogenic methane emissions from waste and agriculture are now sitting at 4.1% below 2017 levels. We have confidence in the pipeline of new mitigation technologies, with some tools already commercially available (see **Appendix 1**).

11. A key assumption in the baseline analysis of the target options was that an agricultural emissions pricing system to drive the uptake of mitigation technologies was in place, which contributed 10.6Mt of abatement in EB3 and 25% abatement of biogenic methane out to 2050.

12. You have since requested advice on the impacts of removing agricultural emissions pricing from projections. Specifically, you have indicated you wish to understand, in respect of different biogenic methane target options:

    a. How targets might be met in the absence of agricultural emissions pricing; and
    b. The potential implications of removing agricultural emissions pricing for the 2050 target, EB3, and potential burden-shift to ETS sectors.

Analysis and advice

Scenarios without agricultural pricing

13. The options we have modelled in response to direction from your offices are:

    a. A 24% reduction in biogenic methane emissions below 2017 levels by 2050. For this scenario, we have assumed emissions follow the trajectory set out in ERP2 – which has agricultural emissions reduce by 10.6 Mt in the EB3 period. Biogenic methane reaches 19% below 2017 levels by 2035.[3]

    b. A 14-24% reduction by 2050. For this scenario, we have modelled this as agricultural emissions reducing in a straight line to achieve a 19% reduction by 2050 (noting there would be no legal requirement to reduce emissions beyond the lower bound of the range). This scenario has 2.8Mt of agricultural abatement over EB3. Methane reaches 12% below 2017 levels by 2035.

    c. A 14% target, which we have modelled as agricultural emissions reducing in a straight line to achieve the target by 2050. This scenario has 1.4Mt of agricultural abatement over EB3. Methane reaches 12% below 2017 levels by 2035.

14. These have been modelled against ERP2 baseline production levels, which feature a 4% increase in milk solids production by the end of EB3 in 2035 compared to 2025, but a 1% decrease in red meat over the same time period.

15. Two different levels of mitigation cost have been assumed in the analysis:

    a. 9(2)(b)(ii)

    b. 9(2)(b)(ii)

16. **Table 1** outlines the results of this analysis.

Table 1: Direct mitigation costs of achieving agricultural EB3 emissions levels consistent with 2050 methane target options

2050 methane target	24% (ERP trajectory)	24% (linear path)	14%	14-24%*
% below 2017 levels in 2035	19%	14%	11%	12%

[3] Agricultural emissions in the ERP2 projections fall steeply over the EB3 period, owing to assumed significant increases in technology uptake. In the projections by 2035, methane levels are around 19% below 2017 levels. If agricultural emissions instead reduced in a straight line, achieving a 24% target would mean agricultural emissions need to reduce by around 4.2 Mt over EB3 and methane levels in 2035 would be around 14% below 2017 levels.

Additional abatement required from agriculture, consistent with a linear path to 2050 targets	10.6	4.2	1.4	2.8
Increase in EB3 shortfall after agricultural mitigation *(in addition to the existing 9.2Mt shortfall to EB3)*	0.0	6.5	9.2	7.8

9(2)(b)(ii)

** The 14-24% target range was modelled as emissions reducing in a straight line to reach a 19% reduction by 2050.*

Overview of removing agricultural emissions pricing on trajectory to 2050

17. Table 2 provides an overview of the abatement required to meet certain target levels, and the impact of removing agricultural emissions pricing from the ERP2 projections (in 2050).

Table 2: Biogenic methane emissions abatement required to meet target levels

	Methane reduction in 2050 from 2017	Mt in biogenic methane (agriculture and waste) reduction required to meet target (in 2050, relative to 2017 levels)[4]
ERP2 baseline without agricultural pricing	-10%	3.8
ERP2 – including agricultural pricing	-25%	9.5
14% methane target	-14%	5.3
24% methane target	-24%	9.0

Summary of results

18. Analysis shows that:

    a. removing pricing without any replacement incentive or intervention means that we would be on track to only 10% below by 2050 – although this did not take into account potential additional market led abatement.

[4] Note these figures are not comparable with the other absolute emissions values used in this briefing. These figures include methane from waste but exclude agricultural nitrous oxide and carbon dioxide emissions. Also these are annual figures whereas the other figures used sum across the 5 years of EB3.

b. the agricultural mitigation required in EB3 for consistency with a linear path to a 14% and 14-24% target is modest (1.4 Mt and 2.8 Mt, respectively).

c. reducing the methane target below 24% and reflecting this in the level of emissions reduction expected from agriculture in EB3 will increase the current shortfall to EB3.

d. There is an existing shortfall to EB3 of around 9.2 Mt – a 14% or 14-24% target option would increase this shortfall by about 9.2 and 7.8 Mt, respectively[5].

e. 9(2)(b)(ii)

How could the EB3 gap be met?

Market led measures are not currently strong enough to close the gap

19. In the absence of Government intervention, the level of methane abatement seen will be driven by the ambition of the market.

20. We expect that market-led measures (such as an extension of Fonterra's scope 3 targets[6]), may contribute up to 3.8 to 12.5Mt abatement over the EB3 period. 9(2)(b)(ii) . However, we note that not all of this funding is going towards additional gross methane mitigation. Until there is evidence of shifts towards further future commitments, this means that we expect the lower level of abatement associated with such incentives to be most likely.

Other options

21. To increase the chances of reaching necessary levels of abatement – or to overachieve the required abatement, to enable headroom for sector growth – you could consider incentives, regulation, or pricing agricultural emissions. Below outlines some options for the former categories. The regulatory options we have outlined below are not exhaustive; those listed are intended to give an indication of the range available. The incentive options we have highlighted below are comparatively simple. These options could also be deployed in combination to strengthen certainty of likely impact and further demonstrate Government intent to reduce agricultural emissions. See **Appendix 1** for an overview of potential abatement from some mitigation technologies.

[5] Maintaining a 24% target but achieving methane reductions more slowly than projected in ERP2 would also increase the shortfall – if methane reduced in a straight line to a 24% reduction by 2050 the EB3 shortfall would increase by 6.5 Mt.

[6] Note Fonterra's targets currently extend to only 2030.

[7] 9(2)(b)(ii)

22. Note that across options, dairy farmers would likely be more able to absorb the additional cost of mitigation technology and/or in a better position to respond to market demand for lower emission products than sheep and beef farms[8].

Incentive options

Partnership with processors to respond to market demand

23. Government could leverage industry activity and funding and instead partner with the sector and provide funding, e.g., up to 50%, to incentivise additional action to increase uptake of mitigation technology and practice change on-farm. Government commitment could be linked to achieving a certain level of abatement, or other requirements (for example, evidence of additionality).

24. We do not know what industry's appetite to partner to deliver this option might be. Fonterra's current incentive schemes have around $50m funding per annum from Nestle and Mars[9]. It is unclear if this level of funding is just the beginning and could increase, or if it is an initial incentive to start action in advance of emissions reductions becoming another condition of supply funded by the supply chain (i.e. farmers).

25. To reach sheep and beef farmers, partnering with meat processors will be instrumental to removing barriers and enabling emissions reductions from these farmers. Meat processors could consider implementing instruments like emissions reduction certificates or voluntary carbon market projects as these farmers usually have looser supply agreements with meat processors (compared to more structured agreements held by dairy farmers). Government would purchase emissions reductions from sheep and beef farmers via these instruments in addition to whatever private market demand there is for these mitigation outcomes.

Developing a Government-funded incentives programme

26. To drive mitigation uptake, the Government could provide direct incentives or subsidy payments for mitigation technology or practices. 9(2)(b)(ii) [redacted]. A set of eligible mitigation technologies, with robust scientific evidence of their efficacy, would be decided, as well as any other relevant conditions that would need to be met. Further work would be required to determine the most appropriate

[8] Upcoming NZ ETS registration restrictions based on land use class reduce afforestation at higher NZ ETS prices (of the current unrestricted situation). This also means that farms cannot (as easily) respond to emissions technology costs by converting to ETS forest, if that is their preference. Relatedly, note that sheep and beef sector rationalisation has been driven by commercial drivers. Sheep and beef farm operating costs have risen faster than market prices, especially for strong wool, which has led to both farm consolidation (larger, more profitable farm systems) and land users deciding to shift land to other more profitable uses. For example, average 2022/23 dairy farm system earnings before interest and tax were $3,017 per hectare, compared to $607 per hectare for North Island sheep and beef finishing land.

[9] Fonterra's top payment will reach around 350 farms, and its wider payment (1 – 5 cents per KgMS) will reach 5,000 farms.

administration mechanism and ensuring recognised actions are additional[10].

27. To minimise direct fiscal risk to the Crown, a fixed budget rather than open ended commitment would be appropriate. 9(2)(b)(ii) [redacted]

Non-pricing regulatory options

28. Compared to provision of incentives, which rely on voluntary action to be successful, regulatory options offer a greater degree of certainty about the likely abatement that will be achieved over a certain time period (provided there is appropriate compliance, monitoring, and enforcement activity). To further increase confidence, you could consider multiple options in tandem and/or consider regulatory options as a backstop to incentivise voluntary action. Options you could consider include:

    a. **Setting legislated processor-level emission targets**. This would require red meat and dairy processors to meet emissions reduction targets that are set in terms of emissions intensity (emissions per unit of milk, lamb, beef and venison). These targets could fall over time at a rate designed to meet the 2050 target for methane and agriculture's allocation of emissions budgets. The level of target would be determined later, but this option would reduce emissions and drive uptake of mitigation technology without an explicit price, therefore overcoming some of the differences between sheep and beef, and dairy.

    b. **Mandating use of mitigation technologies**. This would require farmers to adopt—at some level-- agricultural mitigation technologies, once these are available for their farm systems (e.g. mandate the use of EcoPond on conventional dairy farms, mandate the use of the bolus once available, etc).

    c. **Making reducing emissions a Farm Plan requirement**. This would build on the existing freshwater farm planning regime to specifically reduce emissions. This option would require farm operators to develop an emissions reduction module which could be managed and maintained alongside their freshwater farm plan. As part of the emissions module, farmers could be required to identify and implement actions that aim to meet agreed levels of ambition for methane reductions.

    d. **Implementing a mitigation incentive levy.** This option would fund mitigation technology uptake on farm through a processor level levy that requires agricultural processors (meat and milk processors) to pay for a levy based on deemed emissions. Emissions would be calculated at the meat, milk and fertiliser processor level based on the quantity of product received from farms. Funds raised could be used to incentivise the uptake of mitigation technology through incentive and direct subsidy payments (as discussed in paragraph 20).

[10] Interventions are not truly additional if avoided emissions would have happened without financial incentive, for example, due to market forces or regulatory requirements.

Emissions leakage

29. Regulatory options likely have higher risk of production impacts, particularly on the sheep and beef sector due to the differences in profitability compared to dairy, mitigation, and high emissions relative to net revenue for sheep and beef. If production impacts were to arise, then this could also give rise to concerns about emissions leakage. However, emissions leakage is uncertain and depends on international trade, demand and supply developments. Emissions leakage can be mitigated by adopting domestic policies that prioritise reducing the emissions intensity of production rather than production itself.

30. If competing countries reduce their emissions intensity (e.g. competing feed-based dairy/beef production systems adopting Bovaer), the risk of emissions leakage from a New Zealand domestic policy is reduced. If competing countries reduce their emissions intensity significantly below New Zealand levels, a New Zealand policy that reduces production could cause negative emissions leakage where a competing lower emissions product displaces a higher emissions intensity New Zealand product. Production/leakage risks would be considered in policy design.

ETS considerations

31. Ministers could also consider shifting any mitigation gap in whole or in part to the New Zealand Emissions Trading Scheme (NZ ETS) sectors. This would shift the cost of meeting EB3 onto other sectors of the economy (e.g. transport and energy). The impact on the overall cost of meeting EB3 would depend on whether agricultural mitigation costs are more or less than the cost of mitigation in NZ ETS sectors – both are possible. Tightening ETS supply would also result in higher ETS prices, increasing costs for businesses and households - every $10 increase in emission prices adds about $90 per annum to the average household's expenditure.

32. With a 14% methane target, the total shortfall EB3 would be about 18.4 Mt (the current 9.2 Mt shortfall plus the 9.2Mt increase in shortfall due to the lower target). Our high-level modelling suggests closing an 18.4 $MtCO_2$-e gap in EB3 might require carbon prices at least $30 higher over the 2030s (peaking at about $105 in 2035), 9(2)(g)(i) [redacted]

Considering revisions to EB3

33. As emissions budgets are intended to be stepping-stones to meeting targets, if the target is changed Ministers could also choose to revise EB3 (reducing the impact of changing the biogenic methane target on the budget shortfall). This would likely require further changes to the CCRA. Under current legislation, when the 2050 target is changed, the Commission *may* provide advice on whether existing budgets should be revised. EB3 may only be revised if the Commission recommends it.

[11] The carbon price estimates noted here are based on the Computable General Equilibrium (CGE) modelling used elsewhere in this document to estimate wider economic impacts. They are derived from a different modelling framework than that used to support ETS unit and price control setting consultation. These estimates do not consider the risk the stockpile could pose to achieving the time-bound budgets.

34. An important consequence of revising EB3 is that it would create an (additional) gap for New Zealand for its 2035 Paris Agreement target (New Zealand's second Nationally Determined Contribution), as this was originally set to align with EB3. As any downward revision to NDC2 is likely to find New Zealand in breach of the Paris Agreement, this could mean the Crown needs to purchase offshore units to close this shortfall, with an associated cost to the Crown (a 9Mt gap has an estimated cost range of $400 - $1,300m).

35. EB3 will begin to be considered as part of next year's ETS settings process. This process begins later this year with initial advice that is developed by the Commission. If you do wish to change EB3, then it would be desirable to make this change so that it can inform the Commission's advice.

Next steps

36. We seek your direction on whether you are interested in progressing any of the mitigation options suggested in this briefing, and/or if you wish to retain the commitment to an agricultural emissions pricing system by 2030. We also seek your feedback on potential appetite to amend EB3 in some way.

37. If you are interested in progressing any of the mitigation options suggested, we could develop these further for your consideration, including, if relevant, via engagement with key stakeholders to understand their potential willingness to partner.

38. Depending on the scope and nature of any non-pricing options to incentivise farmers, options may interact with New Zealand's international trade obligations and settings. Further advice around relevant international policy settings can be provided in consultation with the Ministry of Foreign Affairs and Trade.

39. We will continue to work with your offices on timing related to progressing 2050 target decisions, and preferences for the legislative vehicle.

Recommendations

We recommend that you:

1. **Note** the contents of this briefing, including potential implications of removing an agricultural emissions pricing system from greenhouse gas modelling.

2. **Provide** feedback on this briefing.

Signatures

9(2)(a)

Hemi Smiler
Climate Mitigation General Manager
Ministry for the Environment
06/06/2025

Jane Chirnside
Director Resources & Rual Communities
Ministry for Primary Industries
06/06/2025

Hon Simon WATTS
Minister of Climate Change
Date

Hon Todd MCCLAY
Minister of Agriculture
Date

Draft Cabinet paper: Resetting the 2050 domestic emissions reduction target

Date submitted: 10/07/2025
Tracking number: MfE BRF-5983; MPI B25-0404
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Todd MCCLAY **Minister of Agriculture** Hon Simon WATTS **Minister of Climate Change**	Provide direction on the draft Cabinet paper (attached as **Appendix One**)	17/07/2025

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment (advice@mfe.govt.nz).

Appendices and attachments
Appendix One: Draft Cabinet paper: Resetting New Zealand's 2050 domestic climate change emissions target

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
Responsible Manager	Stephen Goodman	9(2)(a)	
General Manager	Hemi Smiler	022 087 1268	✓
Deputy Chief Executive	Sam Buckle	022 034 0311	
Key contacts at Ministry for Primary Industries			
Position	***Name***	***Cell phone***	***First contact***
Responsible Manager	Beth Hampton	9(2)(a)	
Director	Jane Chirnside	9(2)(a)	✓
Deputy Chief Executive	Julie Collins	9(2)(a)	

Minister's comments

Draft Cabinet paper: Resetting the 2050 domestic emissions reduction target

Key messages

1. You requested a draft Cabinet paper that proposes to:
   a. amend the biogenic methane component of the 2050 emissions target from the current 24-47% to 14-24% reduction in emissions below 2017 levels;
   b. remove the commitment to introduce agricultural emissions pricing in 2030; and
   c. legislate a requirement to review the methane science and target in 2040, with agricultural emissions pricing to be considered at this time.

2. The draft Cabinet paper is attached as **Appendix 1** for your feedback.

3. You have previously received advice on the 2050 target, taking into account economic, climate and feasibility considerations.

4. To support refinement of the draft Cabinet paper, we seek your clarification of the proposed 2040 review. In particular, we seek direction on its scope and who it is to be undertaken by.

5. In relation to the direction to remove agricultural emissions pricing, we note that while current market-led activity will support agricultural emissions reduction, unless it scales up and/or very low-cost mitigations become available, we do not currently consider it likely to be sufficient to fully close the abatement gap caused by the removal of pricing. What level of methane reduction the market will achieve is currently very uncertain.

6. The range of market-led incentives and actions has been growing. However, the removal of a government pricing policy and reset of the 2050 target range may impact this, and potentially reduce willingness to invest in the New Zealand market, if these changes are perceived to be a risk to demand.

7. The economic outlook for the sector is strong, as reported in the latest Situation and Outlook for Primary Industries (SOPI) report which forecasts export earnings of $59.9 billion for the year ending 30 June 2025, $3 billion higher than projected in December, and this has been underpinned by production growth. This means that 2025 agricultural emissions projections will be materially higher than those presented in 2024, making reaching targets and budgets more challenging. This data has only recently become available and so was not able to be incorporated in earlier advice.

8. Bringing your proposed review of the methane science and target forward from 2040 and committing to regular sector monitoring could potentially strengthen the signal that the Government expects progress and will introduce a pricing mechanism if required.

9. To further support managing the agricultural sector's progress and risks of emissions gaps, you could also consider non-pricing policy to reduce agricultural emissions, shifting the burden to New Zealand Emissions Trading Scheme (NZ ETS) sectors, or changes to ambition in future emissions budgets. While decisions on this are not required now, we suggest you meet to discuss next steps on this matter to support communication of a clear strategy to the sector.

Background

10. We recently briefed you on options for changing the 2050 target (MfE BRF-6017; MPI B25-0174 refers), and on the impacts of removing agricultural emissions pricing from emissions projections (MfE BRF-6320; MPI B25-0329 refers).

11. In line with direction subsequently received from your offices, we have attached a draft Cabinet paper (**Appendix One)** for your consideration[1], which seeks an agreement to:
    a. Amend the biogenic methane component of the 2050 target to reduce biogenic methane emissions by 14 – 24% below 2017 levels
    b. Remove the commitment to an agricultural pricing system no later than 2030
    c. Review the 2050 methane target in 2040, with consideration of pricing to occur at this time also.

Analysis and advice

Proposal to review the target in 2040, including whether agricultural emissions pricing is needed

12. We seek further direction on the proposal to legislate a review of the biogenic methane target in 2040, with an opportunity to consider agricultural emissions pricing at this point.

Scope of the review

13. We understand you wish to conduct a review in 2040. We are interested in further understanding the scope of this review and if you intend it to include:
    a. an updated review of methane science; and/or
    b. advice on progress towards the target; and
    c. advice on the level of the target; and/or
    d. advice on interventions, including agricultural emissions pricing, to support methane reductions if deemed necessary; and/or
    e. any other matters.

14. We also seek your direction on how the review is to be delivered, and if, for example, you are interested in progressing a process similar to the Methane Science and Target Review in 2024, which was undertaken by a Minister-appointed panel.

15. We note that the Climate Change Commission must review the 2050 target every five years, taking into account the latest scientific evidence about climate change and development of new technologies, among other things. We are interested in understanding how you anticipate your proposed review may interact with this.

16. We can provide you with further advice on the scope of the review in line with your preferences, and any legislative changes required. In the interim, to support flexibility, we have included a recommendation in the draft Cabinet paper for you to be authorised to make policy decisions related to the design of the review.

[1] Content which has been added since the provision of the draft to your offices has been highlighted in yellow.

Timing of the review

17. In absence of alternative action, both the proposed 14-24% 2050 methane target and emissions budgets will be harder to meet without an agricultural emissions pricing system in place. While we expect to see some gross methane reductions from market-led measures, unless a highly effective mitigation is successfully developed and deployed at very low cost 9(2)(b)(ii)), and/or the market significantly increases its level of ambition, we do not currently expect the market alone to be sufficient to fully make up the 'gap' from the removal of pricing[2].

18. The level of ambition that may emerge in the market in the future is also highly uncertain[3] noting that this may also be influenced by the reset 2050 target and removal of pricing[4]. Engaging with the market on your proposals, particularly those with ambitious targets and incentive schemes currently in place, could be an opportunity to improve understanding of impacts and market intentions.

19. Forthcoming updates to projections will reflect higher agricultural sector output than that included in ERP2, with the new SOPI forecasts released at Fieldays suggesting that the sector's export revenue is on track to surpass $60 billion for the first time – which has been underpinned by increased production[5]. This means that we expect the 2025 projections to be materially higher due to the improved economic outlook for agriculture. This information was not available to inform earlier advice.

20. If you wish to provide a stronger signal to the primary sector of the importance of their commitment to mitigation uptake and gross reductions in the near term, you could consider bringing forward the proposed 2040 review, for example to 2030, and commit to progress monitoring. To further increase your confidence in budget and target achievement, you could also consider putting in place non-pricing mechanisms to support methane reductions, or making other changes discussed below. While decisions on this are not required immediately, we suggest you meet to discuss next steps on this matter to support communication of strategy to the sector, and any signalling in the Cabinet paper.

Other matters arising from a revised methane target

21. Emissions budgets are set on an all-gases basis. 9(2)(f)(iv)

[2] For example, agricultural emissions pricing was projected to drive 10.6Mt of abatement in EB3.
[3] Fonterra, for example, is targeting a 30% intensity reduction in on-farm emissions by **2030** (from a 2018 baseline). Companies' future Scope 3 target intentions are currently unknown.
[4] For example, removing agriculture emissions pricing may affect the interest of technology developers and the sector in investing in mitigation tools, due to reduced market and regulatory certainty. It is also possible that having an agricultural pricing system in place would have made it 'easier' for voluntary targets to be met; it is not clear the extent to which this has influenced the level of current market-led targets.
[5] The latest Situation and Outlook for Primary Industries report forecasts export earnings of $59.9 billion for the year ending 30 June 2025, $3 billion higher than projected in December.

9(2)(f)(iv) [redacted]

22. If the target is changed, Ministers could also choose to revise EB3 (reducing the potential impact of changing the biogenic methane target on the budget shortfall[6]), given that emissions budgets are intended to be stepping-stones to meeting targets. This would likely require further changes to the CCRA. While supporting domestic achievability, it would however create a gap between domestic emissions reductions required in EB3 and New Zealand's second Nationally Determined Contribution.

Next steps

23. We seek your joint direction on the draft Cabinet paper, and matters raised in this briefing; we welcome the opportunity to discuss these with you. We will then work with your offices to continue to refine the paper and confirm timing for Cabinet consideration. Your offices will also be provided with a draft of the Regulatory Impact Statement for amending the 2050 target.

24. We will provide the Minister of Climate Change further advice on consequential and transitional changes arising from the proposal to amend the 2050 target.

25. Additionally, we will work with your offices to progress advice on legislative vehicle options for how 2050 target related changes can be given effect to following Cabinet decisions.

[6] Note based on 2024 projections, there is a 9.2Mt gap in EB3. Removing agricultural emissions pricing would widen this total gap to 19.8Mt (above the 240Mt budget).

Recommendations

We recommend that you:

1. **Note** the contents of this briefing

2. **Agree** to meet with officials to discuss, and/or otherwise provide feedback on the draft Cabinet paper to reset the 2050 domestic emissions reduction target.

Signatures

Hemi Smiler
Climate Mitigation General Manager
Ministry for the Environment
10/06/2025

9(2)(a)

Jane Chirnside
Director Resources & Rural Communities
Ministry for Primary Industries
10/06/2025

Hon Simon WATTS
Minister of Climate Change
Date

Hon Todd MCCLAY
Minister of Agriculture
Date

Appendix 1 – Cabinet paper: Resetting the 2050 domestic climate change target

CLASSIFICATION

Office of the Minister of Agriculture

Office of the Minister of Climate Change

[TBC - Cabinet]

Resetting the 2050 domestic climate change emissions target

Proposal

1 This paper seeks agreement to reset New Zealand's 2050 domestic emissions target in the Climate Change Response Act 2002 (CCRA).

Relation to government priorities

2 Our proposal relates to:

- the Government's Target 9 to reduce net greenhouse gas emissions
- the National – ACT Party coalition agreement to review the biogenic methane science and target for consistency with the principle of no additional warming.

Executive Summary

3 The 2050 emissions target (the 2050 target) sets the level of domestic efforts to reduce emissions from greenhouse gases. It signals the long-term direction of climate change policy, providing certainty for the economy and investment. Currently the target is to:

- Reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050; and
- Reduce emissions of biogenic methane to 24-47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.

4 This Government established an independent panel to undertake a review of the methane science and target, published in December 2024 (Methane Review). The Climate Change Commission (the Commission) also reviewed the 2050 target and provided Government its report in November 2024. We have considered these reports and officials' advice.

5 We propose to reset the biogenic methane component of the 2050 target to 14-24% below 2017 levels by 2050. Other aspects of our target would remain as they are now.

6 Our view is that the current methane target is not fit for purpose. Achieving the upper end of the current range risks exacerbating land use change and reducing production, even with adoption of the current pipeline of emissions

reducing technologies. It is likely to require policies that would have a significant economic cost on the agriculture sector.

7 In proposing a reset of the target we are still maintaining our commitment to both a split gas approach and reducing gross methane emissions, and are contributing to our climate change commitments. In addition, the upper end of the range meets the criteria of no additional warming under all background global temperature scenarios – including a 1.5°C scenario – modelled in the Methane Review.

8 We also propose to remove our commitment to implementing a fair and sustainable pricing system for on-farm emissions by 2030. Pricing is not the only way to reduce emissions, and we have seen over the recent period a range of market led schemes that support our farmers to adopt new methods and technologies. We want to leverage, rather than displace private sector action.

9 To keep on track to 2050 and to ensure the target remains fit for purpose, we will legislate a review to occur in [2040]. This milestone date will also allow us to reconsider whether agricultural emissions pricing is needed as an additional intervention alongside market-led activity to reach 2050.

10 We will announce this policy change shortly and the legislative amendments necessary will be progressed through [TBC].

Background

11 In 2019, the Government set an emissions reduction target (2050 target) for New Zealand to:

- reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050
- reduce emissions of biogenic methane to 24–47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.

12 The 2050 target takes a split-gas approach, recognising that biogenic methane is a “short-lived” gas and has a different warming impact to other long-lived greenhouse gases, such as carbon dioxide.[1,2]

13 The 2050 target is an important aspect of New Zealand’s climate change policy framework. It drives decisions about emissions budgets and plans, emissions trading scheme (ETS) settings, and influences investment decisions in the wider economy. It is separate from but supports

[1] The current biogenic methane target range was drawn from the Intergovernmental Panel of Climate Change special report on limiting warming to 1.5 °C from 2018 and reflects the central range of likely global biogenic methane reductions in modelled pathways that are consistent with 1.5 °C.
[2] Under the CCRA, the biogenic methane emissions that fall within scope of our target are limited to those from the agriculture and waste sectors (representing 91.4 and 8.6% of biogenic methane emissions, respectively).

implementation of international targets under the Paris Agreement, which has a goal of limiting temperature increase to 1.5°c above pre-industrial levels.

14 We are making headway in reducing emissions. New Zealand's Greenhouse Gas Inventory shows that emissions from both long-lived gases[3] and biogenic methane are reducing[4], with 2023 levels of biogenic methane emissions 4.1% below 2017 levels, marking clear progress towards these targets.

The Methane Panel and the Climate Change Commission have provided advice on the 2050 target

15 This Government established an independent panel to undertake a review of the methane science and target, published in December 2024. The Commission also reviewed the 2050 target and provided Government its report in November 2024.

16 The Methane Review focused on what was required to stabilize the warming impact of biogenic methane emissions at 2017 levels, i.e. "no additional warming" from this base year. It found:

- a 24% reduction in biogenic methane emissions below 2017 levels would achieve "no additional warming" under all background global temperature scenarios that were modelled, including a scenario in which global temperature increase is limited to 1.5°C
- a 14-15% reduction in biogenic methane emissions below 2017 levels would achieve "no additional warming" under global mid-range (2.0°-2.7°C) and high temperature increase scenarios (temperature increase well over 2.0°C, and as high as approximately 4.5°C)

17 The Methane Review was not asked to recommend a new biogenic methane emissions target, but these results have informed the options considered by Ministers through subsequent work[5].

18 The Commission was required to review New Zealand's 2050 target and it provided its report in November 2024. The review covered the target as a whole, and recommended increasing the level of emissions reductions required by both components of the 2050 target (see **Appendix 3**). This was in response to its finding that changes in the scientific understanding of climate change point to the need for all countries to take additional action to reduce emissions, among other things.

[3] We use the term "long-lived" gases to refer to all greenhouse gas emissions excluding biogenic methane (i.e., the net-zero component of the 2050 target), noting this does include some short-lived GHGs such as fossil methane.
[4] Between 2022 and 2023, gross emissions fell by 2% and net emissions fell by 4%.
[5] Ministry for the Environment, Methane Science and Target Review – Terms of Reference, June 2024

19 The Government must respond to the Commission's advice on the 2050 target by 21 November 2025. The Minister of Climate Change will develop this response in a way that aligns with the proposals in this paper.

20 The Commission also recommended including emissions from international aviation and shipping in our 2050 target. International processes addressing these emissions are currently progressing and officials are undertaking further analysis of these matters. I, the Minister of Climate Change, therefore propose to defer consideration of these matters until later in the year.

Analysis

21 The 2050 target sets the level of domestic efforts to reduce greenhouse gas emissions. We have considered a range of 2050 target options informed by the Methane Review, the Commission's advice, and advice from officials (see **Appendices 2** and **4**). Options were assessed using the following criteria:

- Alignment with the Government's "Going for Growth" economic agenda (including economic impacts and international competitiveness)
- Contribution to limiting warming (as per the purpose of the CCRA)
- Implementation feasibility (including availability of technology and implications for government policy).

We propose to reset the biogenic methane component of the 2050 target to a range of 14-24%

22 Our view is that the current methane target is not fit for purpose. Achieving the upper end of the current range risks exacerbating land use change and reducing production, even with adoption of the current pipeline of emissions reducing technologies. It is likely to require policies that would have a significant economic cost on the agriculture sector.

23 Our proposed biogenic methane 2050 target of 14-24% is informed by the results of the Methane Review, and maintains a domestic response to climate change that contributes to our climate change commitments. It provides for flexibility, is feasible (it requires reductions ranging from 0.2 to 0.7% per annum from 2030), and will also support growth in the agriculture sector.

24 We propose to legislate a further review of the biogenic methane target and science to occur in [2040] to ensure it remains fit for purpose. [We seek authorisation for the Minister of Agriculture and the Minister of Climate Change to be given delegated authority to finalise further details of this review].

We do not agree with the Commission that the 2050 target should be increased

25 Our proposal to reset the biogenic methane target and maintain the net zero target differs from the Commission's advice. We considered the potential impact of the Commission's proposal on the economy and the climate, as well

as the feasibility of the policy mix and the technology required. On balance, we concluded that the Commission's proposal is not desirable at this time, as we do not consider it reflects an appropriate balance between objectives, and we also have concerns about its lack of sector support.

Removing our commitment to pricing agricultural emissions by 2030

26 As part of our reset, we also propose to remove the Government's commitment to implement an agricultural emissions pricing system no later than 2030. While agricultural emissions pricing has been a useful signal for catalysing mitigation investment, it is not, at this time, clear that it is necessary or the most appropriate approach. As part of our [2040] review we will reconsider whether agricultural emissions pricing is necessary, or not.

27 We are supportive of a market and technology-led approach to agricultural emissions reduction. The market is making progress on incentivising the uptake of agricultural emissions reducing technology and practices through schemes such as Fonterra's emissions incentive scheme and Silver Fern Farms' initiatives. We are partnering with the sector, leveraging our over $400m investment in accelerating the development and commercialisation of mitigation technologies, and we have high confidence in the technology pipeline [See **Appendix 1**].

28 [Placeholder - Removing agricultural emissions pricing will impact our agricultural emissions projections, which are in the process of being updated to take into account updated activity and market information, as well as policy detail. We want to provide time for market-led activity to mature and for further technologies to become available; we expect these factors, among others, such as levels of mitigation uptake and investment, will be considered as part of our [2040] review. We could also choose to consider non-pricing actions in future, if desirable].

Other changes to the CCRA

29 Changing the 2050 target gives rise to several transitional and consequential issues that I, the Minister of Climate Change, propose to address as follows.

NZ ETS unit settings process [Note this section is only needed if the law change is made before September]

30 The annual NZ ETS unit and price control settings process is underway, based on the current 2050 target. NZ ETS settings decisions are expected by Cabinet on 11 August, and must be gazetted before the end of September 2025. Changing the 2050 target midway through the NZ ETS settings process risks the accordance of NZ ETS settings with emissions reduction targets, and the need for additional advice from the Commission and re-consultation.

31 I therefore propose including a transitional provision alongside the amendment of the 2050 target to ensure that the 2025 NZ ETS settings process:

- uses the previous 2050 target to inform settings decisions, accordance requirements and any other legal requirements
- will not require additional advice from the Commission in response to the new 2050 target
- will not require re-consultation based on the new 2050 target.

32 The updated 2050 target will apply from the 2026 NZ ETS settings process.

Emissions budgets

33 Under the CCRA, the fourth emissions budget (EB4) for the period 2036 to 2040 must be set by 31 December 2025. Emissions budgets are set in response to advice from the Commission, who provided the Government advice on EB4 (as well as minor revisions to other budgets) in November last year. Given this advice was based on the current 2050 target, it may need to be updated to reflect the target change. I therefore propose the date by which EB4 must be set is extended by 24 months, to [31 December 2027], to allow sufficient time for this process. [To be confirmed by Minister of Climate Change.]

34 [Placeholder for implications if any for the third emissions budget.]

International considerations

35 9(2)(h)

36 9(2)(h)

37 9(2)(h) [redacted]

38 [Placeholder – legal comment/review to come]

Cost-of-living and financial implications

39 Economic modelling shows our proposed target change has a negligible overall economic impact. There are no direct cost-of living impacts from the proposal as the 2050 target relies on subsequent policy decisions in relation to emissions budgets, the emissions trading scheme, and emissions reduction plan policies to achieve change on the ground. The impact on average households of this change is likely to be nil. There are no direct financial implications from this proposal.

40 [Placeholder of any implications for the second Nationally Determined Contribution if required]

Legislative Implications

41 TBC - The proposals in this paper will be require amendment of the CCRA. We propose to progress these amendments through [TBC]

Impact Analysis

Regulatory Impact Statement

42 The Ministry for the Environment and the Ministry for Primary Industries prepared a Regulatory Impact Assessment (RIA) for this proposal (attached in **Appendix 4**). [TBC - A panel with members from the Ministry of Regulations, Ministry for the Environment and Ministry for Primary Industries assessed the RIA and considered that it [meets] the Quality Assurance criteria.]

Climate Implications of Policy Assessment

[to be updated to account for ag pricing change]

Population Implications

43 *Māori and Iwi* - The Māori contribution to the New Zealand economy is around $32 billion, of this the primary industries (agriculture, forestry and fishing) contributes a total $19 billion.[6] The concentration of collectively held Māori assets in the agriculture and forestry sectors means climate change policies are likely to disproportionately impact Māori. These impacts are both positive and negative, depending on the sector.

44 *Rural Communities* - New Zealand's food and fibre sector is a large component of our economy accounting for 82.5% of goods exported and contributing 12.4% of overall employment[7]. The proposals in this paper are likely to provide clarity for the sector, which in turn may further support farmer and rural community confidence.

Human Rights

45 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external resources

46 The Ministry for the Environment contracted Principal Economics from March 2025 to June 2025 to undertake economic modelling to support analysis of different target options. The cost was $65,000.

Consultation

47 Public consultation was not undertaken for this proposal. There has been previous engagement with the public and iwi/Māori on the Zero Carbon Bill, first and second emissions reduction plans and NZ ETS legislation and the Commission's consultation on its review of the 2050 target.

48 [MFAT was consulted. Other agencies were not consulted on this proposal but have been informed and consulted on policy development, including reviewing the draft RIS].

Communications

49 TBC – We propose to publicly announce the Government's decision on the 2050 target by XX. We are aware of the need to manage the timing and content of any announcement to minimise disruption to this year's ETS setting process.

[6] Te Ōhanga Māori - The Māori Economy 2023 Report prepared by Business and Economic Research Limited (BERL) for the Ministry of Business, Innovation and Employment (MBIE)

[7] M These figures account for New Zealand's entire food and fibre sectors including dairy, meat and wool, forestry, horticulture, seafood, arable, processed food and other products. These figures account for New Zealand's entire food and fibre sectors including dairy, meat and wool, forestry, horticulture, seafood, arable, processed food and other products.

Proactive Release

50 We propose that this paper is proactively released following final decisions on the 2050 target and subject to the Official Information Act 1982 redactions.

Recommendations

The Minister of Agriculture and the Minister of Climate Change recommend that the Committee:

Resetting the biogenic methane component of the 2050 target and policy approach

51 **Note** that the Minister of Climate Change and the Minister of Agriculture have considered a range of options for changes to the 2050 target that are informed by the Climate Change Commission (Commission) advice on the 2050 target and the independent Methane Panel (Methane Panel) on the biogenic methane target

52 **Agree** to reset the biogenic methane component of the 2050 target to reduce emissions of biogenic methane to a range of 14 - 24% below 2017 levels by 2050 and retain other aspects of the current target as they relate to achieving 10% below 2017 levels by 2030

53 [TBC if recc needed from MFAT]

54 **Agree** to remove the Government's commitment to implement a fair and sustainable pricing system for on-farm emissions by 2030

55 **Agree** to review the 2050 target in [2040], [with this to be reflected in legislation], and for agricultural emissions pricing to also be reconsidered at this time

56 [**Authorise** the Minister of Agriculture and Minister of Climate Change to make policy decisions related to the design of the review of the 2050 target in [2040]]

57 **[Note** that the Minsters of Agriculture and Climate Change will regularly monitor agricultural emissions reduction progress, including mitigation technology developments and uptake]

Responding to the Commission's recommendation on the 2050 target

58 **Note** that we do not agree with the Commission that the emissions reductions required by New Zealand's 2050 target should be increased

59 **Note** that the Minister of Climate Change will receive further advice on addressing emissions from international aviation and shipping later this year, and will seek Cabinet's agreement if he recommends including international aviation and shipping emissions in our domestic target, or otherwise will respond to the Commission by November 2025 accordingly

60 **Note** that the Minister of Climate Change will develop a response to the Commission on their 2050 review consistent with the proposals in this paper

Consequential and technical changes to the Climate Change Response Act 2002

61 **Agree** to extend the date in the CCRA by which the fourth emissions budget (for the period 2036 to 2040) must be set by 24 months to 31 December 2027 to provide for consideration of the newly reset target [tbc]

62 **Agree** to amend the CCRA to provide a transitional provision to clarify that the Commission does not need to reconsult on its advice on setting of the fourth emissions budget in light of an amendment to the 2050 target [tbc]

63 [Placeholder for any implications for the third emissions budget - tbc]

64 **Agree** to amend the CCRA to provide a transitional provision to ensure the 2025 NZ ETS settings process is not affected by the change to the 2050 target

Process for amending the Climate Change Response Act 2002

65 **Invite** the Minister of Agriculture and Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office to amend the Climate Change Response Act

66 **Agree** that the Bill will be introduced by XXX and enacted by XX...

67 **[TBC** other recommendations depending on legislative process/timing]

68 **Note** the Minister of Climate Change and the Minister of Agriculture intend to publicly announce the Government's decision on the 2050 target XXX

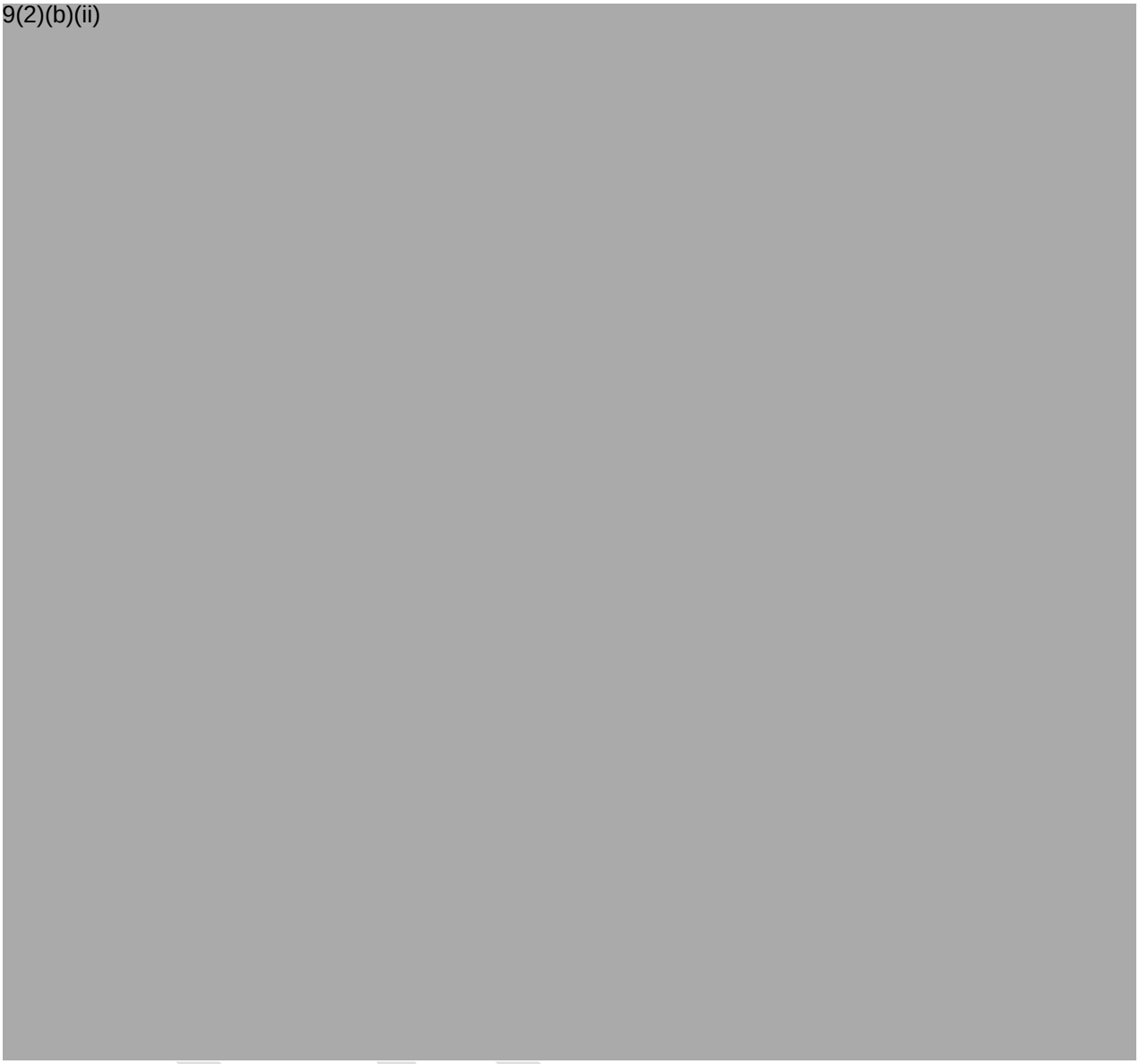
69 **Note** the Regulatory Impact Statement *Clarifying the 2050 domestic climate change emissions target* meets the Quality Assurance criteria.

[Authorised for lodgement - TBC]

Hon Todd McClay	Hon Simon Watts
Minister of Agriculture	Minister of Climate Change

Appendix 1: Mitigation Technology Pipeline

9(2)(b)(ii)



Appendix 2: Options for changes to the 2050 emissions target

The options for changes to the 2050 emission target that were considered were informed by the Climate Change Commission's review of the 2050 target and the Methane Review. The main options were:

- **Option 1:** Status quo would keep the 2050 target the same, which is to reduce emissions of greenhouse gases (other than biogenic methane) to net zero or lower by 2050 and beyond, and to reduce emissions of biogenic methane by 24% to 47% less than 2017 emissions beginning on 2050 and each subsequent year.
- **Option 2:** Reduce the methane target to a 14% reduction from 2017 levels and maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background mid-range global emissions scenario (2.0°C - 2.7°C).
- **Option 3:** Reduce the methane target to a range of 14-24% reduction from 2017 levels and maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a range of 'no additional warming' approaches modelled using background mid-range (2.0°C - 2.7°C) and 1.5°C global emission scenarios. The upper end of this range (24%) is in line with the lower end of the current biogenic methane target.
- **Option 4:** Clarify the current biogenic methane target by removing the upper range (i.e. a 24% reduction from 2017 levels only); maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background global emissions scenario that limited temperature increase to 1.5°C. A 24% reduction in biogenic methane emissions is also the lower end of the existing methane target range**. This is officials' preferred option in the regulatory impact analysis.**
- **Option 5:** Clarify the biogenic methane target (24% reduction from 2017 levels), strengthen the target for long-lived gases (to net negative 10Mt CO_2-e by 2050). This option was informed by the Methane Review (as above) and also includes increasing the level of New Zealand's domestic climate contribution for long-lived gases.
- **Option 6:** Increase both the biogenic methane and long-lived gases component of the target as recommended by the Commission (a 35-47% reduction in biogenic methane, net negative 20MtCO_2-e for long-lived gases by 2050). This options was recommended by the Commission in its 2050 target review.

Fundamental changes to the target, such as a move away from the split-gas approach, or removing the target altogether were ruled out of scope. Decisions on international shipping and aviation and further emissions reductions and removals post-2050 have been deferred by the Minister of Climate Change until later this year, when officials have undertaken further analysis and there is more clarity regarding the outcome of international processes.

Appendix 3: Climate Change Commission's findings

The Commission found there had been significant changes that justified increasing the level of New Zealand's domestic response to climate change, including:

- *Scientific understanding*: The impacts of global warming are greater, in both severity and scale, than was understood by the global science community when the target was set.

- G*lobal action:* Globally we are off track to meet the Paris temperature goals of limiting warming to 1.5°C. This implies that even greater reductions in global emissions are needed in the near and longer terms to limit as much as possible the amount by which the world exceeds 1.5°C, and then to bring the temperature down again.

- *New Zealand's fair share:* Many comparable countries have now set domestic emissions targets that require more emissions reductions than New Zealand's current target

- *Intergenerational equity:* Delaying increased action transfers costs and risks to future generations.

The Commission recommended:

- reaching at least net negative 20 Mt CO_2e by 2050, including emissions from international shipping and aviation (IAS).

- reducing biogenic methane emissions from 2017 levels by at least 35 – 47 % by 2050.

- there are further reductions and removals of greenhouse gases beyond these levels after 1 January 2050.

Appendix 4: Regulatory Impact Statement

Ministry for the Environment
Manatū Mō Te Taiao

Briefing: 2050 target – additional legislative changes and implications of decisions

Date submitted: 22 August 2025
Tracking number: BRF-6279
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS **Minister of Climate Change**	**Agree** to the additional legislative changes to be progressed alongside changes to the 2050 emissions target **Note** 9(2)(h)	25/08/2025

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment (advice@mfe.govt.nz).

Appendices and attachments
Appendix 1: Appendix withheld in full under section 9(2)(h) of the Act
Appendix 2: Appendix withheld in full under section 9(2)(h) of the Act

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
Principal Author	Arek Wojasz Joe Beaglehole		
Responsible Manager	Simon Mandal-Johnson Steve Goodman		
General Manager	Mark Vink Hemi Smiler		✓

Minister's comments

2050 target Cabinet paper – additional legislative changes and implications of decisions

Key messages

1. You recently agreed to amend the 2050 emissions target in the Climate Change Response Act 2002 (CCRA) to require a 14-24% reduction in biogenic methane emissions by 2050 (BRF-6017 refers).

2. We are working with your office to finalise the Cabinet paper for lodgement on Thursday 4 September 2025 and consideration at Cabinet Economic Policy Committee (ECO) on Wednesday 10 September 2025.

3. This briefing seeks your decisions on several other amendments to the CCRA that are needed to ensure a smooth transition to the new target. These are set out in the table below. If you agree to these proposals, we will reflect them in the final Cabinet paper.

Table 1: Summary of proposed additional changes to the CCRA to be progressed alongside a change to the 2050 target

Aspect of the CCRA	*Issue*	*Proposal*
Defer setting the fourth emissions budget (EB4)	The Commission has provided its advice on EB4 (including revisions to existing emissions budgets) based on the current 2050 target. As you are required to make decisions that have considered this advice, it would be appropriate for it to be updated to reflect the intended change to the 2050 target.	Extending the timeframe by which EB4 must be set by 24 months. This will allow time for the Commission to update its advice, as well as avoid future overlap with ETS settings processes. The alternative is to set EB4 this year based on the current target.
Transitional arrangements for this year's ETS unit limits and price control settings (ETS settings) process	Decisions on ETS settings have recently been made by Cabinet. 9(2)(h) [redacted]	Introducing transitional provisions to clarify that any amended 2050 target does not apply to the ETS settings decisions for this year, and that further public consultation and advice from the Commission is not required. Transitional provisions are needed only if the 2050 target is amended before 1 January 2026.

4. In addition to the change to the 2050 target, the draft Cabinet paper includes a proposal to remove agricultural emissions pricing as a policy commitment in the second emissions reduction plan (ERP2). As requested, we have provided your office with draft text for the Cabinet paper and recommendations that would establish a process for agreeing a market-led replacement for this policy with an equivalent level of emissions abatement.

5. 9(2)(h) [redacted]

6. 9(2)(f)(iv) [redacted]

[redacted]

8. 9(2)(h) [redacted]

Recommendations

We recommend that you:

a. **agree** to amend the CCRA to extend the date by which EB4 must be set by 24 months to 31 December 2027

Yes | No

b. **agree** to include transitional provisions in the CCRA that:

   a. the Commission must update its advice on setting EB4 (including revisions to existing budgets)

   b. the Commission is not required to reconsult before updating its advice on setting EB4 (including revisions to existing budgets).

Yes | No

c. **agree** to include transitional provisions clarifying that any change to the 2050 target does not apply to the 2025 ETS settings decisions (if the 2050 target is amended before 1 January 2026)

Yes | No

d. **note** the policy decisions in this paper will be reflected in the Cabinet paper seeking agreement to the 2050 target change

e. 9(2)(f)(iv) [redacted]

f. 9(2)(h) [redacted]

Signatures

Hemi Smiler
General Manager
Climate Change Mitigation and Resource Efficiency
22 August 2025

Hon Simon WATTS
Minister of Climate Change

Date

Impact of 2050 emissions target decisions on emissions budgets and ETS settings

Purpose

1. This briefing seeks agreement to additional legislative changes to be progressed alongside your decision to change the 2050 emissions target. These are needed to ensure a smooth transition to the new target.

2. 9(2)(h)

Background

3. You recently agreed to amend the biogenic methane target in the CCRA to 14-24% below 2017 levels by 2050 [BRF-6017 refers].

4. We are working with your office to finalise the Cabinet paper advancing this proposal for lodgement on Thursday 4 September 2025 and consideration at Cabinet Economic Policy Committee (ECO) on Wednesday 10 September 2025.

Analysis and advice

Updating the Commission's advice on EB4

5. Under s 5X(3)(d), the fourth emissions budget (EB4) for the period 2036 to 2040 must be set by 31 December 2025. The Commission provided you its advice on EB4 in November last year, based on the current 2050 target. This advice also recommended revisions to EBs 1-3 to reflect methodological changes and higher rates of afforestation.

6. As you are required to consider the Commission's advice in making decisions, the advice should be updated to reflect the proposed change to the 2050 target.

7. Under the CCRA, the Commission has a significant role in relation to emissions budgets. The Commission is required to advise the Minister of Climate Change on emissions budgets (ss 5ZA and 5ZC), while the Minister must make final decisions on the budgets and respond to the Commission in relation to their advice (ss 5ZB and 5ZC).

8. In keeping with the role of the Commission under the CCRA, for EB4, we therefore suggest:

    i The Commission is required to consider updating its advice on EB4 (and whether any notified emissions budgets should be revised), once the target is amended.

ii The CCRA is amended to extend the date by which EB4 must be set by 24 months to 31 December 2027.

9. This will allow adequate time for both the Commission to revise its work and the Government to consider its advice and make final decisions.

10. Changing the date by which EB4 must be set would require an amendment to the CCRA that would be progressed at the same time as amending the 2050 target. Given the Commission has already consulted on EB4, we also suggest the legislative change make clear it is not required to consult further in updating its advice (but has the discretion to do so, it if wishes to).

11. The alternative is to set EB4 this year, in line with the existing 2050 target. You would likely need to set EB4 on or near the level recommended by the Commission. Then, you would need to review the budget for alignment with your new target at a later point. While this would allow you to set EB4 this year, it would be set in a way that is inconsistent with your proposed target.

12. If you are interested in setting EB4 this year, we can advise you on the process required. This option may also be required if legislation to amend the target is not enacted this year as intended.

Impacts on ETS settings process

13. Cabinet has recently made decisions on the 2025 ETS unit limits and price control settings (ETS settings) [CAB-25-MIN-0276 refers]. Those decisions will be enacted and published by the end of September but come into force on 1 January 2026. If a CCRA amendment changing the 2050 target is passed during the settings process it could result in two possible issues:

    i **ETS settings accordance:** You must be satisfied that unit limits and price control settings for the ETS (ETS settings) are in accordance with the 2050 target, as well as emissions budgets and Nationally Determined Contributions (NDCs) under the Paris Agreement. Your preferred methane 2050 target of 14-24% below 2017 levels would not directly impact ETS settings because it does not change the target for ETS-covered emissions. 9(2)(h) [redacted]

    ii **ETS settings process:** The CCRA requires that ETS settings decisions are informed by advice from the Commission and feedback through consultation. The Commission's advice is based on the current 2050 target, and consultation was completed using settings options aligned with the current 2050 target.

14. Any changes to the 2050 target are expected to come after ETS settings are enacted and published, but may come before the new ETS settings come into force. Because the decisions on ETS settings have been substantially made before any change in target, there is a limited risk that the two issues identified would eventuate. 9(2)(h) [redacted]

i 9(2)(h)

15. If the 2050 target is amended on or after 1 January 2026, then there is no risk to the 2025 ETS settings from the 2050 target change, and no transitional provisions will be required.

16. Additional reductions during the EB3 period could also be required for ETS-covered emissions if Cabinet decides to remove the commitment to pricing agricultural emissions. 9(2)(h) Advice on this was provided as part of the briefing on final 2025 ETS settings decisions [BRF-6351 refers].

9(2)(h)

Legislative process for 2050 target changes

20. 9(2)(f)(iv) .

21. 9(2)(f)(iv) [redacted]

22. 9(2)(h) [redacted]

Step	*Timeframe*
Cabinet policy approval	15 September 2025
Bill Introduced	October 2025
First Reading	October 2025
Select Committee stage (to be confirmed)	None
Second Reading	November 2025
Committee of the Whole House	November 2025
Third Reading	December 2025
Royal Assent and estimated enactment	By 31 December 2025

Next steps

23. We will reflect your decisions in the draft Cabinet paper: *Resetting New Zealand's 2050 domestic climate change emissions target in the Climate Change Response Act 2002*.

Ministry for the Environment
Manatū Mō Te Taiao

Options to maintain the currency of ERP2

Date submitted: 28/08/2025
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS **Minister of Climate Change**	**Agree** to your preferred approach to maintain the currency of ERP2.	1 September 2025

Actions for Minister's office staff
Forward this briefing to the Minister of Agriculture **Return** the signed briefing to the Ministry for the Environment (advice@mfe.govt.nz).

Appendices and attachments

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
Principal Author	Katie Lund		
Responsible Manager	Stephen Goodman	9(2)(a)	
General Manager	Hemi Smiler	64 22 0871268	✓

Minister's comments

Options to maintain the currency of ERP2

Key messages

1. As part of your decisions on the 2050 target, you and the Minister of Agriculture are proposing to replace agriculture emissions pricing with an industry-led approach. This is consistent with your Climate Strategy and the Government's focus on economic growth.

2. At the same time, under the Climate Change Response Act 2002 (CCRA), the Minister of Climate Change is required to maintain a current emissions reduction plan (ERP). 9(2)(h)

3. The CCRA provides for amendments but requires that, if an amendment is more than minor or technical, the same process must be followed as for preparing a new plan, including consultation. We have discussed with you that some provisions in the CCRA can make the process to update ERPs impractical. You intend to streamline the process for updates to ERPs 9(2)(f)(iv)

4. A key consideration in maintaining a current ERP2 is how New Zealand is tracking towards meeting Emissions Budget 2 (EB2). Provisional projections from this year suggest that EB2 is on track to be met. However, the provisional projections also show that agriculture emissions are higher than they were in the ERP2 projections, although private sector commitments and emerging mitigation technologies are helping the agriculture sector reduce its emissions.

5. There are options around how you may wish to maintain the currency of ERP2 which present different trade-offs:

   i. **Option 1- focused update in 2025:** Provides quickest option to satisfy your requirement to have a current ERP before EB2 commences but with a three-to-six-week public consultation. This option becomes less feasible the further into 2025 decisions are delayed. A key consideration is if it aligns with your intention to engage with the agricultural sector on the industry-led approach.

   ii. **Option 2- start work now, update after May 2026:** Similar approach to Option 1 but would allow more time to engage the sector before public consultation. This will mean having a slightly less current ERP2 when EB2 commences but we can signal there is work underway to develop the industry-led approach, after which point public consultation on the amended ERP2 will occur.

   iii. **Option 3- midpoint review in 2026/27:** Consider an update to ERP2 in 2026/27, potentially as part of the 2026 adaptive management process, ERP2 would remain less up to date for a longer period.

6. If none of these options are preferable to Ministers, 9(2)(f)(iv)

9(2)(f)(iv) .

7. We recommend you engage with the Minister of Agriculture as the lead portfolio Minister for the agriculture chapter of ERP2 and agricultural climate policies to jointly agree to a preferred approach to maintaining a current ERP2.

Recommendations

We recommend that you:

a. **meet** with the Minister of Agriculture to agree to a preferred approach.

b. **agree** to an option to maintain the currency of ERP2:

   i. **either** Option 1- focused update in 2025

   Yes | No

   ii. **either** Option 2- start work now, update in May 2026

   Yes | No

   iii. **either** Option 3- midpoint review in 2026/27

   Yes | No

c. **or** direct officials to investigate 9(2)(f)(iv)

   Yes | No

Signatures

Hemi Smiler
General Manager-
Climate Change Mitigation
28 August 2025

Hon Simon WATTS
Minister of Climate Change
Date

Options to maintain the currency of ERP2

Purpose

1. The purpose of this brief is to provide options and seek your preferred approach to maintaining the currency of the second emissions reduction plan (ERP2), reflecting a proposal to replace agriculture emissions pricing.

Background

2. On 19 August 2025, you received advice on updated provisional greenhouse gas emissions projections for 2025 which provided progress toward emissions budgets and incorporated updated agricultural emissions scenarios [BRF-6512 refers].

3. You also recently received a brief on updating the 2050 target 9(2)(h) BRF-6279 refers].

Analysis and advice

Obligation to maintain a current emissions reduction plan

4. Section 5ZG and 5ZI of the Climate Change Response Act 2002 (CCRA) requires the Minister of Climate Change to set an emissions reduction plan; and it outlines the process for amending the plan, and ensuring it remains current. The CCRA also requires you to ensure public consultation has been adequate and undertake further consultation as necessary when preparing an emissions reduction plan.

5. The CCRA provides for amendments to an emissions reduction plan and its supporting policies and strategies at any time to maintain its currency. If an amendment is more than ‘minor or technical’, the same process must be followed as for preparing a new plan. This includes reconsidering the Commission’s advice on meeting the relevant emissions budget and ensuring there has been adequate consultation on the amended plan.

6. In 2024, you amended ERP1 to maintain the currency of the plan and align ERP1 with the Climate Strategy, including by formally removing 41 actions. Following Cabinet approval of your intent to amend ERP1, public consultation occurred on the impact of the proposed change in approach to meeting EB1, via the ERP2 discussion document. Following your consideration of submissions received from public consultation and reconsideration of relevant advice from the Commission, Cabinet approved the amended ERP1. A short (13 page) ERP1 amendment document was published, to be read in conjunction with the original ERP1.

Proposal to replace agriculture emissions pricing

7. As part of the 2050 target review, the Minister of Climate Change and the Minister of Agriculture are proposing to replace the agriculture emissions pricing system (to be put

in place by 2030). Instead, Ministers propose to leverage growing industry incentives and action to enable farms to accelerate the uptake of new technology to reduce emissions. This would support a market and technology-led approach which is consistent with the Climate Strategy and aligns with the Government's focus on economic growth.

8. Agriculture emissions pricing was signalled as a key policy in the ERP2. Replacing it with an industry-led approach represents more than a minor or technical change. While this shift may be seen as a significant change, it also reflects evolving policy direction. To maintain the currency of the plan, it may be important to formally amend the plan to recognise this change before or soon after the commencement of EB2. You may also wish to signal the Government's intention to replace this policy.

9. 9(2)(g)(i) Provisional projections from this year suggest that EB2 is on track to be met with a growing buffer of overachievement. However, the provisional projections also show that agriculture emissions are higher than they were in the ERP2 projections, although private sector commitments and emerging mitigation technologies are helping the agriculture sector reduce its emissions.

10. For the provisional projections, the scenarios modelled used varying levels of adoption and efficacy improvements for key mitigation technologies which could be achieved by different factors such as market drivers, industry ambition, government policies/incentives and/or a collaboration between government and industry. However, the results are unable to distinguish between the different drivers of technology development and adoption.

11. 9(2)(g)(i) .

12. While this advice is regarding ERP2, the plan does have an impact on future budgets, particularly EB3. Total emissions for EB3 are projected to be 247.9 Mt which is about 7.9 Mt above the limit of 240 Mt, but the gap is narrower than the 9.2 Mt projected for ERP2. The agriculture sector is projected to contribute 4.8 Mt more emissions in EB2 and 9.9 Mt in EB3, compared to the projections for ERP2.

Options to maintain currency of ERP2

13. We understand you are interested in managing risk to ERP2 in a prompt and efficient way. We recommend you discuss your preferred approach with the Minister of Agriculture. We have developed three options for your consideration, each involving trade-offs between the timeliness of updating and maintaining currency of ERP2, engagement with the agriculture sector, and public consultation.

14. **Option 1- focused update in 2025:** This would be the quickest option and satisfies your requirement to have a current ERP. It follows the approach taken for ERP1 with a ~10-page addendum update to ERP2, supported by the modelling used for the 2025 projections. Cabinet delegation would be sought for a three-to-six-week consultation on the proposed approach. While public consultation is possible in this timeframe, the further into 2025 decisions are delayed, the less feasible this option becomes. Another consideration is whether this option aligns with your intention to engage with the sector on the industry-led approach, which we understand has been reflected in the draft 2050

target Cabinet paper. Note the wording in the Cabinet paper does not necessarily imply formal public consultation being undertaken. This option would maintain currency of the ERP2 best at the time of EB2 commencing.

15. **Option 2- start work now, update in May 2026:** This is the second quickest option to update ERP2 and follows a similar approach to Option 1 but would allow more time to engage the agricultural sector on the industry-led approach. This option would seek approval from Cabinet to start work on the industry-led approach followed by public consultation and a concise addendum update to ERP2. This option means having a slightly less current ERP2 when EB2 commences compared with Option 1.

16. **Option 3- midpoint review in 2026/27:** This option would consider an update to ERP2 in 2026/27, potentially as part of the adaptive management approach. A midpoint review could assess progress against EB2 to determine whether changes to ERP2 are still required. However, ERP2 would remain less up to date for a longer period. This option provides more time to confirm an industry-led approach to replace agriculture emissions pricing and to consult on changes to ERP2.

17. If none of these options are preferred, there is work underway to address some of the impracticalities of the CCRA. 9(2)(f)(iv) [redacted]

9(2)(h) [redacted]

9(2)(h) [redacted]

Next steps

23. If you agree, this advice will be forwarded to the Minister of Agriculture. Officials suggest you meet to discuss the options in this paper and agree a preferred approach.

24. We seek your direction on your preferred approach and will start to develop a plan, jointly with the Ministry for Primary Industries, to give effect to this. Cabinet approval of public consultation could occur as part of the Cabinet paper on 2050 target decisions, with final decisions delegated to the Minister of Climate Change in accordance with his statutory duties and in consultation with Minister of Agriculture.

Climate Change
CHIEF EXECUTIVES BOARD

Cabinet material for 2025 adaptive management assessment and Government response to Climate Change Commission's annual monitoring report

Date submitted: 8 September 2025
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS **Minister of Climate Change**	**agree** that the initial 2025 adaptive management assessment outlined in BRF-6688 can now be confirmed and approve the attached draft Cabinet paper and ERM response for Ministerial consultation.	11 September 2025

Actions for Minister's office staff

Commence Ministerial consultation on agreement of this briefing of the 2025 Government response to the CCC ERM report and Cabinet paper that includes the 2025 adaptive management assessment.

Return the signed briefing to the Climate Change Interdepartmental Executive Board Unit (board@climateieb.govt.nz).

Forward feedback received through Ministerial consultation to the Climate Change Interdepartmental Executive Board Unit.

Appendices and attachments

1. Draft Cabinet paper: 2025 adaptive management assessment of the second emissions budget and Government response to the Climate Change Commission's emissions monitoring report
2. Draft 2025 Government response to the Climate Change Commission's annual emissions monitoring report Out of scope of the request
3. Detailed ERM report sectoral analysis Out of scope of the request

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
Principal Author	Jessie Algar		
Chief Advisor	Amy Tisdall		
General Manager	Kirsty Flannagan	021 0420264	✓

Minister's comments

Cabinet material for 2025 adaptive management assessment and Government response to Climate Change Commission's annual monitoring report

Key messages

1. On 26 August 2025, we provided you with our initial assessment of the 2025 adaptive management decision and the Government's response to the Climate Change Commission's (the Commission's) 2025 emissions reduction monitoring report (ERM report), along with advice on how you may wish to reflect this to Cabinet (BRF-6688 refers). These were based on provisional 2025 emissions projections.

2. The 2025 emissions projections have now been finalised with minimal changes (BRF-6754 refers). This means the initial 2025 adaptive management assessment outlined in BRF-6688 can now be confirmed, with no corrective action required.

3. The approach to the Government response to the ERM report (ERM response) has been updated from that that outlined in BRF-6688, 9(2)(f)(iv) [redacted]

4. In approving BRF-6688, you asked if this process has been reviewed by the Climate Change Response Act (CCRA) efficiency review and if it requires Cabinet consideration. The CCRA efficiency review proposes to retain an annual ERM report and response, but it will be aligned with NZ ETS settings decisions in years when NZ ETS settings decisions occur. Adaptive management is not a statutory requirement, but the second emissions reduction plan (ERP2) commits to annual Cabinet assessments.

5. This briefing outlines options for Cabinet consideration of the ERM response and adaptive management assessment. We recommend proceeding to Cabinet, in line with the process agreed when ERP2 was approved by Cabinet and Cabinet Manual guidance. Cabinet consideration of these matters also supports your duty to ensure emissions budgets are met and can usefully be referred to in the Environment Select Committee's annual examination of the ERM response.

6. As part of decisions on the 2050 target, Cabinet will shortly consider replacing the ERP2 agricultural emissions pricing policy with a market and technology-led approach. You have received advice on options to amend ERP2 to maintain its currency (BRF-6741) and expressed a preference for an amendment before EB2 commences. The

attached paper can be a vehicle for Cabinet approval of a process to amend ERP2. Subject to Cabinet decisions on the 2050 target and the Minister of Agriculture agreeing on the process and timeframe for amending ERP2, we can work with your office to include additional content in this Cabinet paper ahead of lodgement on 2 October.

7. We are seeking your approval of the attached draft Cabinet paper and ERM response (Appendices 1 and 2) for the purpose of Ministerial consultation. We recommend consultation commences as soon as possible and concludes on 23 September. This timing supports you to meet the statutory requirement to present the ERM response to Parliament by 15 October 2025.

Recommendations

8. We recommend that you:

   a. **note** the provisional 2025 emissions projections have undergone quality assurance and are now final, with minimal changes from the provisional results (BRF-6754 refers).

   b. **agree** that the initial 2025 adaptive management assessment outlined in BRF-6688 can now be confirmed, with no corrective action required to remain on track to meet EB2.

      Yes | No

   c. **note** that the attached draft Cabinet material aligns with the approach you approved in BRF-6688, 9(2)(f)(iv) [redacted]

   d. **Either**:

      i. **agree** to maintain annual Cabinet consideration of adaptive management advice as outlined in ERP2, occurring alongside consideration of the annual ERM response and NZ ETS settings decisions in years when NZ ETS settings decisions occur **(recommended)**

      Yes | No

      OR

      ii. **agree** to add a recommendation to the Cabinet paper that future adaptive management advice does not need to be considered by Cabinet if assessments indicate that New Zealand is on track to meet EB2 and no further action is required

      Yes | No

   e. **agree** that subject to Cabinet decisions on the 2050 target and the Minister of Agriculture agreeing on the process and timeframe for amending ERP2 to reflect the replacement of agricultural pricing with an industry-led approach, additional

content seeking approval of a process to amend ERP2 will be included in this Cabinet paper ahead of lodgement.

Yes | No

f. **approve** the attached draft Cabinet paper and ERM response for Ministerial consultation commencing as soon as possible and concluding on 23 September 2025

Yes | No

Signatures

pp

Kirsty Flannagan, Executive Director
Climate Change Interdepartmental Executive Board Unit
8 September 2025

Hon Simon WATTS
Minister of Climate Change
Date

Cabinet material for 2025 adaptive management assessment and Government response to Climate Change Commission's annual monitoring report

Purpose

9. This briefing provides you with the draft Cabinet paper for the 2025 adaptive management assessment and the Government response to the Commission's 2025 ERM report for Ministerial consultation (see Appendix 1 and 2). It also responds to queries you raised when approving BRF-6688 about the requirement to go to Cabinet, and proposed changes to this process as part of the CCRA efficiency review.

Background

10. ERP2 includes an adaptive management approach to manage any risks to meeting EB2. In approving ERP2 and its adaptive management process, Cabinet agreed to assess annually (as part of the ERM response) whether New Zealand remains on track to meet EB2 and, if not, any recommended actions to get back on track (ECO-24-MIN-0243 refers).

11. You recently agreed to BRF-6688, which outlined the initial 2025 adaptive management assessment and proposed approach for advice to Cabinet on the adaptive management assessment and ERM response. The draft Cabinet Paper and ERM response are attached as **Appendix 1** and **Appendix 2**. We have also included further sectoral analysis of the ERM report in **Appendix 3**, as foreshadowed in BRF-6688.

Analysis and advice

Confirming the adaptive management assessment

12. You have agreed to the initial assessment that no course-corrective action is required this year under the adaptive management framework (BRF-6688 refers). This initial assessment was based on the provisional 2025 emissions projections, which have now been finalised with only minor updates that do not impact the initial assessment (BRF-6754 refers). On this basis, the initial 2025 adaptive management assessment can now be confirmed.

Updated approach in response to the Commission's ERM report recommendation

13. The attached draft ERM response and associated Cabinet paper content is consistent with the approach you approved in BRF-6688, with one proposed adjustment. [redacted]
9(2)(f)(iv) [redacted]

14. 9(2)(f)(iv) [redacted]

15. The revised position in the draft Cabinet paper and ERM response acknowledges the Commission's recommendation and notes the Government's Climate Strategy already includes workstreams that align with the Commission's recommendation, including strengthening the NZ ETS, supporting renewable energy development, and accelerating uptake of agricultural mitigation technologies.

16. The draft Cabinet paper and ERM response also note that while ERP3 will set out how New Zealand intends to meet EB3, the Government is committed to looking at opportunities ahead of ERP3 to support policy development and ensure New Zealand is well-placed to deliver on its climate targets. In line with this, the ERM response acknowledges further work will be required over the long run to ensure the ongoing effectiveness of the NZ ETS.

17. This revised approach still provides for preparatory work and considering opportunities ahead of ERP3, whilst providing maximum flexibility to act when it is most appropriate and ensuring that future decisions can be informed by the evolving emissions outlook and the implementation of ERP2.

Responding to your queries

Review of this process in the CCRA efficiency review and requirement for Cabinet consideration

18. In approving BRF-6688, you asked if this process has been reviewed by the CCRA efficiency review and if it requires Cabinet consideration.

19. The CCRA efficiency review proposes to retain an annual ERM report and response to support your active duty to ensure emissions budgets are met, but to streamline related Cabinet decisions it will be aligned with NZ ETS settings decisions in years when NZ ETS settings decisions are made. Adaptive management is not a statutory requirement, but Chapter 3 of ERP2 refers to annual Cabinet report backs, and in approving ERP2, Cabinet agreed these would occur alongside the ERM response.

20. We recommend maintaining annual Cabinet consideration of adaptive management assessments and the ERM response, to follow the process outlined in ERP2 and to ensure a transparent and consistent decision-making process. The scope of the adaptive management assessment and ERM response are necessarily cross-economy and cross-sector, having implications for multiple portfolio interests and within scope of the Cabinet Manual's list of matters that must be submitted to Cabinet (5.12(j): matters concerning the portfolio interests of a number of Ministers).

21. Cabinet consideration of these matters also supports you to deliver your statutory duty to ensure emissions budgets are met (section 5X(4) CCRA, and can usefully be

referred to in the Environment Select Committee's annual examination of the ERM response.

22. You could include a recommendation in this year's adaptive management Cabinet paper that future adaptive management assessments do not need to be considered by Cabinet if New Zealand remains on track to meet EB2 and no further action is recommended. However, we do not recommend this at this stage and recommend that for 2026, the related decisions on NZ ETS settings, the ERM response and adaptive management assessments are considered together at Cabinet. At that time, you could reassess whether to seek delegated authority for adaptive management decisions in future years where no further action is necessary. This would give time for the process to bed in, and it would not involve additional administrative burden given the NZ ETS settings will need to be considered by Cabinet in 2026.

Including content on the ERP2 amendment in this Cabinet paper

23. As part of decisions on the 2050 target, Cabinet will shortly consider replacing the ERP2 agricultural emissions pricing policy with a market and technology-led approach. You have agreed to progress an amendment to ERP2 to reflect this change, and expressed a preference for this occurring ahead of the EB2 period commencing (BRF-6741 refers).

24. Your office has requested Cabinet approval of a process to amend ERP2 is sought via the adaptive management Cabinet paper, but has agreed such content should not be included for Ministerial consultation given the 2050 target paper is yet to be lodged. Subject to Cabinet decisions on the 2050 target and the Minister of Agriculture agreeing on the process and timeframe for amending ERP2, we can work with your office to include additional content in this Cabinet paper. However this is contingent on the timing of these decisions; the paper must be lodged by 2 October to meet your statutory timeframes for tabling the ERM response by 15 October.

Next steps

25. ERP2 agencies have been consulted on the draft Cabinet material, and their feedback is reflected in the attached versions. We propose that formal agency consultation occur in parallel with Ministerial consultation, both commencing as soon as possible and concluding on 23 September.

26. We will continue to work with your office as the 2050 target Cabinet paper progress to incorporate any necessary content on a resulting ERP2 amendment process ahead of finalising the Cabinet material. We can also provide you with more detailed advice on the amendment process and proposals.

27. Following Ministerial consultation, we will provide an updated Cabinet package and supporting material on 30 September for your final approval. To meet the statutory deadline for the ERM response to be tabled in the House of Representatives by 15 October, the Cabinet paper needs to be:

    - lodged on 2 October with Cabinet office
    - considered at Cabinet ECO Committee on 8 October
    - confirmed by Cabinet on 13 October.

9(2)(h)

[redacted]

Appendix 1

CLASSIFICATION

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

2025 adaptative management assessment of progress towards the second emissions budget and Government Response to Climate Change Commission's Emissions Monitoring Report

Proposal

1 This paper seeks agreement to the 2025 adaptive management assessment of progress towards New Zealand's second emissions budget and the Government Response to the Climate Change Commission's (Commission) 2025 *Monitoring report: Emissions reduction* (ERM Report).

Relation to Government priorities

2 This paper supports the achievement of Government Target 9, which is to be on track to meet New Zealand's 2050 net zero climate change targets, with total net emissions of no more than 290 Mt[1] from 2022 to 2025 and 305 Mt from 2026 to 2030 (corresponding to the first and second emissions budgets), and statutory obligations under the Climate Change Response Act 2002 (the Act) to ensure net emissions do not exceed the relevant emissions budget. The response to the ERM Report is also a statutory obligation under the Act.

Executive summary

3 New Zealand's second emissions reduction plan (ERP2) includes an adaptive management approach, requiring annual Cabinet report backs to confirm whether New Zealand remains on track to meet its second emissions budget (EB2) and, if not, to recommend further actions to get back on track.

4 Updated 2025 emissions projections suggest our market-led and cost-effective approach to reducing emissions is working. New Zealand is on track to meet EB1, EB2, the 2050 biogenic methane target, and the net zero 2050 target. Although New Zealand is currently off track for EB3 and the 2030 biogenic methane target, it is the task of the third emissions reduction plan to set out how EB3 will be met, and achieving the 2030 biogenic methane target is within the projected uncertainty range.

5 After considering updated emissions projections and reviewing the potential risks to EB2, I am confident New Zealand remains on track to meet EB2 and no corrective action is required for this year's adaptive management decision.

6 The Climate Change Commission's 2025 ERM Report also confirmed New Zealand is on track for EB1 and EB2. The Commission noted that current plans are

[1] Mt represents megatonnes of carbon dioxide equivalent

insufficient to meet EB3 and recommended the Government act ahead of the third emissions reduction plan, to reduce any potential risks to EB2 and get on track for EB3. In my view, New Zealand's net-based climate strategy is already advancing work in areas aligned with this recommendation, including strengthening the NZ ETS and supporting complementary measures across key sectors.

Background

7 In December 2024, the Government published its second emissions reduction plan, which outlines our plan to meet EB2 [ECO-24-MIN-0243]. Emissions budgets are New Zealand's five-yearly stepping stones to meeting our 2050 net zero target.

8 ERP2 includes an adaptive management approach, to ensure the Government stays on track to meet EB2[2]. In approving ERP2, Cabinet invited me, and Ministers responsible for ERP2 policies, to report back annually, as part of the Government's response to the Commission's ERM Report, to:

8.1 confirm whether the Government remains on track to meet the second emissions budget; and, if not

8.2 recommend further actions that might be necessary to get back on track, as outlined in the adaptive management approach for ERP2.

9 The Act requires the Commission to independently monitor and report annually on progress towards the 2050 target and emissions budgets, and progress towards implementing emissions reductions plans. I received the Commission's 2025 ERM Report on 15 July 2025 and must respond to this report within 3 months of receiving it.[3]

Part I: Progress towards meeting emissions budgets and targets

10 Emissions projections out to 2050 are produced annually to give an updated picture of progress towards emissions budgets and targets. Projections can change year on year due to external factors like changes in real-world activity and private sector responses, policy changes and implementation progress, and modelling improvements.

11 New Zealand's 2025 Greenhouse Gas Emissions Projections have recently been published. Key drivers of change in the 2025 projections compared to 2024 projections include on the upside, increased forestry removals, changes to waste emissions methodology[4], and increased expectations for agricultural mitigation technology uptake over the EB2 period; offset by increased expectations for agricultural livestock numbers and production. Updated estimates of gas reserves in

[2] The Act includes a statutory duty on the Minister of Climate Change to ensure net emissions do not exceed the emissions budget for the relevant emissions budget period (section 5X(4)).
[3] Section 5ZK of the Act
[4] Noting I have work underway to understand how the impact of methodological changes is managed within the Act's fixed emissions budgets.

New Zealand also contribute to the upside change, though this situation has also resulted in abatement from the CCUS policy being removed from projections.[5]

12 Cabinet recently agreed the NZ ETS cap for the next five years as part of its annual ETS Settings decisions. 2025 projections reflect these decisions and indicate that sectors covered by the ETS are on track or over-performing in relation to the ETS cap - suggesting our market-led and cost-effective approach to reducing emissions is working.

13 2025 projections confirm New Zealand remains on track to meet the first and second emissions budgets (EB1 and EB2 respectively), with increased overachievement 'buffers' for both EB1 and EB2 compared to 2024 projections (based on the central estimate of projections).

14 New Zealand is on track for the 2050 biogenic methane and 2050 net zero targets but off-track for EB3 and the 2030 biogenic methane target (based on the central estimates and scenarios of projections, although achieving the 2030 biogenic methane target is within the projected uncertainty range). [*Placeholder depending on timing of Cabinet decision*: The Minister of Agriculture and I are currently considering options for the 2050 targets.]

Part II: Adaptive management assessment

New Zealand remains on track for EB2

15 As noted in paragraph 13, New Zealand remains on track to meet EB2 with a buffer of 4.5 Mt (an increase from 1.9 Mt in 2024 projections). However, and as to be expected when forecasting five years into the future, there is a reasonable level of uncertainty in the projected level of total emissions over the EB2 period. This is reflected in an uncertainty range of ±12.4 Mt, with the 312.9 Mt upper end of the uncertainty band sitting substantially above the EB2 limit of 305 Mt (although this is 4.8 Mt lower than had been projected in 2024, and it is just as possible that the lower end of the uncertainty band (288.1 Mt) is realised).

16 Projections also indicate the buffer in achieving EB1 is now 7.8 Mt, an increase from 5.9 Mt in 2024 projections. Any surplus reductions from EB1 could be counted towards meeting EB2 under the "banking" provisions in the Act.[6] This assessment can be undertaken in 2028 when official data for the end of the EB1 period is available.

There are some risks to EB2 that could arise

17 While projections are the primary consideration for determining if New Zealand is on track to meet EB2, a cross-agency assessment of possible risks to EB2 was

[5] The Todd group have publicly expressed they do not intend on pursuing Carbon Capture and Storage (CCUS) at Kapuni, citing gas scarcity and the NZ ETS price. As a result, 2025 projections no longer assume abatement from CCUS (an ERP2 policy).

[6] Section 5ZF of the Act provides that if the total emissions in an EB period are lower than the EB for that period, the excess reduction may be carried forward (or banked) to the next EB period, with the EB for the next EB period increased by the amount carried forward. The Minister must have regard to relevant advice from the Climate Change Commission in its end of EB report, before making a decision to bank any excess reduction.

undertaken, governed by the Climate Change Chief Executives Board. Most were assessed as low likelihood or consequence and do not warrant escalation or further action at this stage, with many being managed through existing policy levers.

18 There are some risks that could arise and adversely impact agricultural emissions during the EB2 period, which I suggest Cabinet note. These risks primarily relate to farmer uptake of mitigation technologies potentially being lower than the 1.9 Mt of abatement across the EB2 period that was modelled in the 2025 projections. Uptake is influenced by numerous factors including market demand and support, policy interventions, technology availability, and individual farm business circumstances.

19 This Government is committed to growing the economy while meeting our climate goals. While continued economic growth is positive and necessary, I am mindful that increased production can result in increased emissions for sectors outside of the NZ ETS. This is why we are committed to our market and technology-led approach to managing agricultural emissions.

20 The NZ ETS remains New Zealand's primary tool for reducing emissions, with any risks within NZ ETS-sectors managed within the NZ ETS cap. On 18 August 2025, Cabinet agreed to annual NZ ETS unit setting and price controls adjustments [CAB-MIN-0276].

21 In agreeing to these settings, Cabinet noted the NZ ETS accordance assessment advised that the surplus stockpile of units undermines certainty in the timing of abatement, meaning emissions could exceed EB2. This is being actively managed through the 2025 NZ ETS settings process, where I am following a consistent policy of drawing down the surplus stockpile by 2030.

22 9(2)(f)(iv) [redacted]

No adaptive management corrective action or response is required

23 While these risks are potentially material if they eventuate, I judge they remain too uncertain to require acting on now and no corrective action is required to ensure New Zealand stays on track to meet EB2. These risks will be reassessed through the 2026 adaptive management process, in light of updated projections in 2026.

Part III: Government response to the Commission's ERM Report

24 The Commission's 2025 ERM Report assesses progress towards meeting emissions budgets, the 2050 target, and implementing emissions reduction plans. The Government response to the ERM Report must be published by 15 October 2025, and must**:**

24.1 set out the response to the Commission's ERM Report;

24.2 describe the progress made in implementing the current ERP; and

24.3 note any amendments to the current ERP.

Key findings of the ERM Report

25 The ERM Report contains the following key findings:

25.1 The country is making progress on reducing greenhouse gas emissions.

25.2 Emissions are on track for the first budget but will need more work – urgently – to set up for future reductions.

25.3 Action across a wide range of sectors can strengthen the country's resilience to changing global conditions.

26 The ERM Report also contains one recommendation, being that:

26.1 the Government act ahead of the third emissions reduction plan, to reduce risk for the second emissions budget and get on track for the third budget and 2050 target, by:

26.1.1 strengthening the NZ ETS to ensure it can be effective as a key policy tool for reducing emissions; and

26.1.2 implementing additional targeted policies to complement the NZ ETS, focused on renewable energy, transport and agriculture.

27 Within the detailed assessment, the Commission identifies what it considers to be several important sectoral issues, outlined below:

27.1 The over-reliance on forestry to meet emissions budgets means locking land into permanent forestry, necessitating planting past 2050 to maintain net zero.

27.2 Underinvestment in electricity generation and declining gas supply is driving up costs and creating reliability risks, undermining investment and slowing progress toward doubling renewable energy by 2050.

27.3 A risk of overreliance on agriculture technology to reduce emissions in this sector, given uncertainties around commercialisation of the technology and uptake by farmers.

27.4 A need for the NZ ETS to evolve to remain effective in the late 2030s, as NZ ETS-emissions are projected to reach net zero at that time.

High level assessment and response

28 The Commission's key findings and recommendation draw from ERP2 and other data and information up to April 2025. The Government's Response (attached at **Appendix 1**) draws on the more up to date 2025 projections, which incorporate revised assumptions and understanding of policy progress since the 2024 projections. Key differences between these updated projections and 2024 projections are that New Zealand is now on track to meet the 2050 biogenic methane target and the long-

lived gas target in 2050, with larger buffers for EB1 and EB2 than previously indicated.

29 I agree with the Commission's key findings that New Zealand is on track to meet EB1, and EB2 can be met.

30 The Commission has also highlighted delivery risks in forestry, agriculture, and energy, which align with the adaptive management risks outlined above. Addressing these risks is important not only to ensure EB2 remains on track to be met, but also to maintain momentum toward EB3.

31 I acknowledge the Commission's recommendation that the Government act ahead of ERP3 to get on track to meet EB3. This recommendation aligns well with the Government's existing climate strategy, which includes strengthening the NZ ETS and supporting complementary measures such as supporting expansion of renewable electricity generation and supporting the development, commercialisation and adoption of agricultural technology. ERP3 will set out how New Zealand intends to meet EB3. Exploring opportunities ahead of ERP3 may support policy development and provide useful lead-in time, and I am interested in considering this as part of future planning for ERP3.

32 However, given that the EB2 period has not yet commenced, I do not consider immediate action necessary at this stage. I am confident that the adaptive management process provides a sufficient framework to manage any emerging risks to EB2.

33 The NZ ETS remains an important tool in New Zealand's climate strategy, with a number of initiatives underway to strengthen the NZ ETS.[7] NZ ETS policy and settings will need to evolve to reflect changing circumstances and ensure continued impact. 9(2)(f)(iv)

Implementation progress and amendments to the first emissions reduction plan

34 In addition to responding to the Commission's ERM Report, the Government response must describe progress made in implementing the current emissions reduction plan and note any amendments to that plan. The Government Response outlines the following:

34.1 The ERP1 amendment was published in December 2024, formally removing 41 actions from the Plan and aligning it with the Climate Strategy.

34.2 The amended ERP1 continues to be implemented ahead of EB1 and ERP2 concluding at the end of this year. As at December 2024, over half of remaining ERP1 actions are expected to achieve their outcomes by the end of 2025, with work established by many of these likely to continue beyond EB1.

[7] Such as reviewing the NZ ETS settings decision-making frameworks and tools, jointly with the Climate Change Commission; 9(2)(f)(iv) and strengthening market governance through the CCRA amendments.

However, many actions are unlikely to achieve their intended outcomes during the ERP1 period with 19 actions discontinued, 46 actions on hold, 5 actions yet to begin and 15 actions delayed or uncertain. Despite these challenges, overall implementation issues are not expected to materially impact on our ability to meet EB1.

34.3 While ERP2 formally begins when EB2 commences on 1 January 2026, implementation of many ERP2 policies is already underway. This reflects the Government's commitment to maintaining momentum and ensuring continuity in emissions reduction efforts.

34.4 Progress on EB1 and EB2 will continue to be monitored through the quarterly reports to the Prime Minister on Target 9.

9(2)(h)

[redacted]

Cost of living implications

37 The proposals in this paper do not have any direct cost of living implications.

Financial implications

38 The proposals in this paper do not have any direct financial implications.

Legislative implications

39 The proposals in this paper do not have any direct legislative implications.

Climate Implications of Policy Assessment

40 No Climate Implications of Policy Assessment is required as no policy changes are recommended.

Population implications

41 The proposals in this paper do not have any direct population implications.

Human rights

42 The proposals in this paper do not have any inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Use of external resources

43 Deloitte was contracted to review the process used to develop adaptive management advice, including its underlying analysis and risk assessment approach.

Consultation

44 The following agencies were consulted on this Cabinet paper and the Government response to the Commission's report:

45 The Department of the Prime Minister and Cabinet has been informed.

Communications

46 The Government's response to the Commission's ERM Report (Appendix 1) will be presented to the House of Representatives by 15 October, at which point it will be made publicly available through the Ministry for the Environment's website. I do not intend to issue a press release.

Proactive release

47 I intend to proactively release this paper and associated Cabinet Committee papers and minutes within 30 business days of final decisions being confirmed by Cabinet, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1 **Note** that in December 2024, Cabinet agreed to an adaptive management approach outlined in the second emissions reduction plan (ERP2), including an annual Cabinet decision on whether further action is needed to keep New Zealand on track for the second emissions budget [ECO-24-MIN-0243].

2 **Note** the central estimates of the recently released 2025 emissions projections indicate New Zealand remains on track to meet the first and second emissions budgets, the

2050 biogenic methane and 2050 net zero targets, but off track for the third emissions budget and the 2030 biogenic methane target.

Adaptive management assessment

3 **Note** the projected overachievement of the second emissions budget and the cross-agency process of assessing risks did not identify any risks that require action this year.

4 **Agree** the 2025 adaptive management assessment is that New Zealand remains on track to achieve the second emissions budget, and no corrective action is required.

Government Response to the Climate Change Commission ERM Report

5 **Note** on 15 July 2025 I received the Climate Change Commission's annual Emissions Reduction Monitoring Report (ERM report) and must respond to this report within 3 months, as required under the Climate Change Response Act 2002 (ss5ZJ, 5ZK).

6 **Note** the key findings and recommendation of the ERM Report and the assessment and response outlined in this paper.

7 **Approve** the public-facing Government response to the ERM Report, attached as Appendix 1.

8 **Agree** that I present the response to the ERM Report to the House of Representatives by 15 October, at which point it will be made publicly available on the Ministry for the Environment's website.

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

CLASSIFICATION

Office of the Minister of Agriculture

Office of the Minister of Climate Change

Cabinet

Updating the 2050 domestic climate change emissions target

Proposal

1 This paper seeks agreement to update New Zealand's 2050 domestic biogenic methane target in the Climate Change Response Act 2002 (CCRA).

Relation to government priorities

2 Our proposal relates to:

2.1 the Government's Target 9 to reduce net greenhouse gas emissions

2.2 the National – ACT Party coalition agreement to review the biogenic methane science and target for consistency with the principle of no additional warming.

Executive Summary

3 New Zealand's primary sector is the engine room of the economy, accounting for 10% of our GDP, earning almost $60 billion in export revenue in the past year, contributing 12.4% of overall employment, and totalling 82.5% of New Zealand's goods exports. New Zealand farmers are among the most productive and emissions efficient in the world.[1]

4 New Zealand has taken a split-gas approach to emissions reduction to recognise the distinct warming impacts of different gases. The split-gas approach recognises that biogenic methane (from agriculture and waste) is a "short-lived" gas with less atmospheric lifetime and a different warming impact, to other long-lived greenhouse gases, such as carbon dioxide.

5 This Government remains committed to our climate change commitments of net zero long-lived gases by 2050, reducing gross methane emissions and to the split-gas approach.

6 Cabinet agreed to an independent panel of highly regarded New Zealand and international scientists to review and provide evidence-based advice on

[1] Historical trends confirm that New Zealand is among the most productive dairy system in the world, with the International Farm Comparison Network reporting that of 54 countries representing approximately 90% of the total milk production, dairy farm productivity in New Zealand was the highest in the world in 2021 (on a seasonal basis). For example, see: AgResearch, Updating the carbon footprint for selected New Zealand agricultural products: an update for milk, August 2021; and Mazzetto, Falconer and Ledgard, Carbon footprint of New Zealand beef and sheep meat exported to different markets, January 2023.

New Zealand's biogenic methane target for consistency with no additional warming. The findings of the review were published in December 2024 (Methane Review).[2] The Climate Change Commission (the Commission) also reviewed the 2050 target and provided Government its report in November 2024. We have considered both these reports and officials' advice.

7 We propose to change the biogenic methane component of the 2050 climate change target to 14-24% below 2017 levels by 2050. This is informed by the Commission's advice and the findings of the independent Methane Review, where 14% to 24% represents achievement of no additional warming against the two most plausible global methane reduction scenarios presented in the report.

8 We intend to legislate another review of the methane target in 2040, based on the most up to date science for consistency with no additional warming, and to take account of progress by New Zealand and our main trading partners. This milestone date will allow us to assess whether additional government interventions are required alongside market-led activity to achieve the 2050 target. The terms of reference for this review in 2040 will include finding a final single point target for biogenic methane by 2050.

9 We propose to not progress an on-farm emissions pricing system by 2030 because it will add cost to agricultural sector production and may drive jobs and production overseas to less emissions efficient countries. In its place we propose to support and leverage growing industry incentives to enable farms to accelerate the uptake of new technology to reduce methane, without adding significant cost to production.

10 We intend to progress a further targeted amendment to the CCRA to provide greater recognition of food production, which we note is reflected in Article 2.1(b) of the Paris Agreement.

11 We also propose to investigate the application of a split-gas target to our future international climate change commitments. This investigation will assess the opportunity to align New Zealand's international targets with our domestic approach.

Background

12 New Zealand farmers are widely recognised as among the most emissions-efficient food producers globally. We don't take this recognition for granted and acknowledge there is competitive pressure for the positioning, which is why this Government has invested heavily to deliver tools and technology to farmers to tackle the very complex issue of biological agricultural emissions.

[2] Ministry for the Environment, *Methane Science and Target Review – Terms of Reference*, June 2024 (https://environment.govt.nz/assets/news/Methane-Science-and-Target-Review-Terms-of-Reference.pdf)

13 Under the CCRA, New Zealand's current emissions reduction targets (2050 target) are:

13.1 reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050; and

13.2 reduce emissions of biogenic methane to 24% to 47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.[3]

14 We are making good progress towards reducing biogenic methane emissions. Improved genetics and better on-farm practices have delivered emissions efficiencies, and these gains look set to continue (see **Appendix 1**). The increase in on-farm productivity and efficiency has seen dairy emissions intensity fall by 30% since 1990 and 42% for the sheep and beef sector. However, while productivity and efficiencies have been realised, there has also been high levels of afforestation on productive farmland and a reduction in overall stock numbers.

The Climate Change Commission's advice and the Independent Methane Panel's findings have informed the 2050 target

15 The Climate Change Commission is required under the CCRA to review New Zealand's 2050 target every five years and it provided its report in November 2024. The review covered the targets for both short and long-lived gases and recommended increasing the level of emissions reductions required for both components of the 2050 target (see **Appendix 2**). This was in response to its finding that changes in the scientific understanding of climate change point to the need for all countries to take additional actions to reduce emissions.

16 The Commission made other recommendations relating to the 2050 target. These included whether to bring emissions from international shipping and aviation into the target. I, the Minister of Climate Change, will respond to the Commission's advice in November, following consultation with relevant Ministers.

17 In line with the National-ACT coalition agreement, the Government established an independent scientific panel to undertake a review of the methane science and target. Biogenic methane is a "short-lived" gas with less atmospheric lifetime and a different warming impact, to other long-lived greenhouse gases, such as carbon dioxide. The Methane Review focused on what was required to stabilise the warming impact of biogenic methane emissions at 2017 levels, that is "no additional warming" from the base year. It found (detailed findings in **Appendix 3**):

17.1 a 24% reduction in biogenic methane emissions below 2017 levels would achieve "no additional warming" under all background global

[3] Section 5Q, Climate Change Response Act 2002.

temperature scenarios that were modelled, including a scenario in which global temperature increase is limited to 1.5°C;

17.2 a 14-15% reduction in biogenic methane emissions below 2017 levels would achieve “no additional warming” under global mid-range (2.0°-2.7°C) and high temperature increase scenarios (temperature increase well over 2.0°C, and as high as approximately 4.5°C).

18 The Methane Review was not asked to recommend a new biogenic methane emissions target, but these results have informed the options considered by Ministers. The Methane Review found that no additional warming could be achieved at different global emissions scenarios presented, and strongly depends on actions undertaken by the rest of the world.

Analysis

We propose to update the biogenic methane component of the 2050 target to a range of 14-24%

19 We have considered a range of 2050 target options informed by the Methane Review, the Commission’s advice, and advice from officials. Options considered were assessed using the following criteria:

19.1 Alignment with the Government’s “Going for Growth” agenda, including economic impacts and international competitiveness

19.2 Contribution to the purpose of the CCRA

19.3 Implementation feasibility such as the availability of mitigation technology.

20 Our proposed biogenic methane 2050 target of 14-24% is informed by the Methane Review and maintains a domestic response to climate change that contributes towards our climate change commitments. A range of 14-24% represents the two most plausible global emissions scenarios presented in the Methane Review.

21 We propose to legislate a further review of the biogenic methane target and science to occur in 2040 to ensure it remains relevant, is based on the most up to date science for consistency with no additional warming, and takes account of New Zealand’s progress, that of our trading partners and actions undertaken by the rest of the world. The terms of reference for this review will include finding a final single point target for biogenic methane by 2050. We seek authorisation for the Minister of Agriculture and the Minister of Climate Change to be given delegated authority to finalise further details of this review.

Other options considered

22 We considered other options for the biogenic methane target against a range of factors including the potential impact on the economy, rural communities, the climate, and broader Government objectives. Options included:

Option 1: Status quo would keep the 2050 target the same, which is to reduce emissions of biogenic methane by 24% to 47% less than 2017 emissions beginning in 2050 and each subsequent year.

We considered that the status quo did not align with the findings of the Methane Review. The status quo target also does not reflect agriculture's significance in the New Zealand economy, and risks shutting down New Zealand farms and sending production overseas resulting in emissions 'leakage'.

Option 2: Reduce the methane target to a 14% reduction from 2017 levels. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background mid-range global emissions scenario (2.0°C - 2.7°C).

We note that a target of 14% could be seen as out of step with international trade partners and would require a shift in the emissions reduction burden to the New Zealand Emissions Trading Scheme sectors (energy and transport).

Option 3: Set the biogenic methane target to a 24% reduction from 2017 levels only. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background global emissions scenario that limited temperature increase to 1.5°C. This was officials' preferred option in the regulatory impact analysis, but we do not consider this provides sufficient flexibility.

Based on findings from the Methane Review we note that it found that no additional warming could be achieved at different global emissions scenarios presented, and will strongly depend on actions undertaken by the rest of the world.

Option 4: Increase the biogenic methane component of the target to a 35-47% reduction. This option was recommended by the Commission in its 2050 target review.

We do not agree with the Commission that the 2050 target should be significantly increased. We considered the potential impact of the Commission's proposal on the economy, rural communities and the climate, as well as the feasibility of the policy mix and the technology required. On balance, we concluded that the Commission's proposal does not reflect an appropriate balance of Government objectives.

Adopting a market-led and technology-based approach to reducing agricultural emissions

23 We propose to support a market and technology-led approach to agricultural emissions reduction rather than pricing agricultural emissions. The market is making progress on incentivising the uptake of agricultural emissions mitigation technology and practices through schemes such as Fonterra's emissions incentive scheme and Silver Fern Farms' initiatives.

24 We are partnering with the sector, leveraging our over $400 million investment to accelerate the development and commercialisation of mitigation technologies to drive emissions reduction. We have high confidence in the technology pipeline (see **Appendix 1**).

25 Cabinet has agreed to track progress towards the second emissions budget in line with the adaptive management approach outlined in the second emissions reduction plan (ERP2).

26 Agricultural emissions pricing is a policy in ERP2. Achieving biogenic methane reductions without agricultural emissions pricing is feasible but will require a continuation and scaling-up of current industry-led schemes, as well as a particular focus on driving adoption of the latest mitigation technologies. We intend to engage with industry leaders to maintain momentum and update ERP2 accordingly. We will report back to Cabinet in May next year to provide an update on progress towards agricultural emissions reduction.

Industry Momentum and Incentives

27 Processors and co-operatives are already driving significant reductions, for example:

Fonterra

28 Fonterra has publicly stated its ambition to reach net-zero emissions by 2050 and has committed to a 30% reduction in on-farm (methane and nitrous oxide) emissions intensity by 2030 (baseline year 2018).

29 In June this year, Fonterra introduced a financial incentive scheme for farmers based on certain emissions-related criteria as part of updates to its Co-operative Difference framework. Fonterra is also offering on-farm emission efficiency incentives that benefit farmers through separate agreements with Mars and Nestlé.

30 These important decisions by New Zealand's largest processor, which represents over 8000 dairy farms, means that some of their customers will be financially encouraging the uptake of methane reduction technology and emissions efficiency.

Silver Fern Farms (SFF)

31 SFF has committed to a 16% reduction in beef intensity (methane) and a 10% reduction for sheep absolute (methane) by 2032 (baseline year 2021).

32 To achieve its targets, SFF has committed to incentivise on farm sustainability measures and emissions reduction through holding emissions calculation workshops, incentivising farmers to be certified under the NZ Farm Assurance Programme, and are linking farmers directly to in-market premiums from global customers. SFF is currently negotiating these commercial agreements with international customers.

Trade and market access

33 9(2)(d)

34 The Methane Review was completed by a panel of highly regarded, New Zealand and international scientists who provided evidence-based advice on what New Zealand's biogenic methane target should be to ensure no additional warming.

35 As well as being consistent with the findings of the panel, our proposal for a methane target of 14-24% below 2017 levels by 2050 supports New Zealand's contribution towards the current global ambition of limiting warming to 1.5°C, reducing gross methane emissions, and maintains our commitment to the split-gas approach.

We propose a further CCRA amendment to ensure food production is not threatened by New Zealand's climate change response

36 Article 2.1 of the Paris Agreement states that, its purpose, in addition to limiting global temperature increases, is to increase "the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production".

37 We propose amending the CCRA to provide greater recognition of food production. We seek authorisation for the Minister of Agriculture and Minister of Climate Change to be given delegated authority to make further policy decisions in relation to the amendment.

We propose to investigate the application of a split-gas target to our future international climate change commitments and monitor others

38 New Zealand's Nationally Determined Contribution (NDC) outlines the contribution the country will make towards delivering on the goals of the Paris Agreement. The New Zealand NDC is currently set on an all-gases basis.

39 We propose that relevant agencies, including the Treasury, Ministry of Foreign Affairs and Trade, Ministry of Primary Industries and Ministry for the Environment, are tasked with investigating the application of a split-gas target to our future international climate change commitments. This investigation will assess the opportunity to align New Zealand's international targets with our domestic approach.

40 The investigation will consider the choices and trade-offs for emissions reductions, the economic and social implications of pursuing split-gas international targets in place of an all-gases approach, and our international commitments. This review will also look at potential impacts on trade access; the actions of our trading partners; and the potential mitigation and abatement costs or savings for our economy, in taking such an approach.

41 We will also direct officials to annually monitor the progress that other nations, particularly those who are the highest emitting, are making towards their climate change commitments.

Other changes to the CCRA

42 Changing the 2050 target gives rise to several transitional and consequential issues that I, the Minister of Climate Change, propose to address as follows.

NZ ETS unit settings process

43 Cabinet has recently made decisions on the 2025 ETS unit limits and price control settings based on the current 2050 methane target [CAB-25-MIN-0276 refers]. Those decisions will be enacted and published by the end of September but come into force on 1 January 2026. Changing the 2050 target during the NZ ETS settings process risks the accordance of NZ ETS settings with emissions reduction targets, and the need for additional advice from the Commission and re-consultation.

44 Changes to the 2050 target are expected to come after ETS settings are enacted and published, but may come before the new ETS settings come into force. Because the decisions on ETS settings have been substantially made before any change in target, to ensure clarity and certainty, I propose including a transitional provision alongside the amendment of the 2050 target to ensure that the 2025 NZ ETS settings process:

44.1 uses the previous 2050 target to inform settings decisions, accordance requirements and any other legal requirements

44.2 will not require additional advice from the Commission in response to the new 2050 target

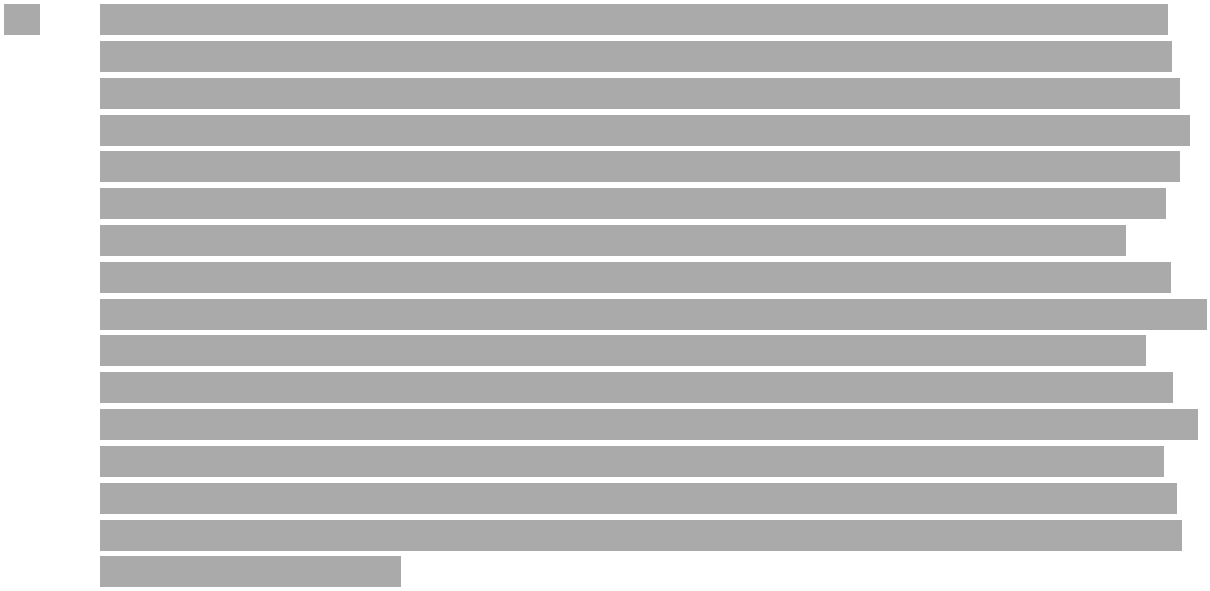
44.3 will not require re-consultation based on the new 2050 target.

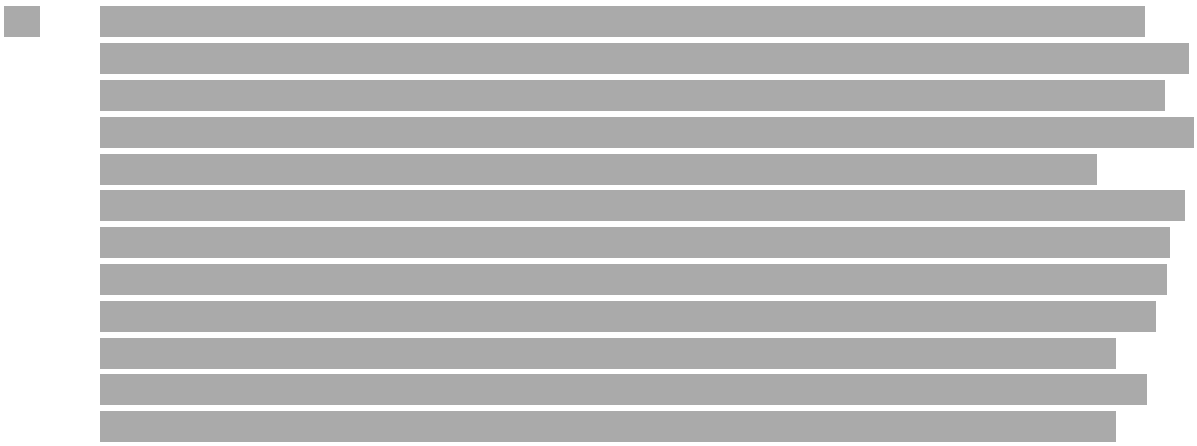
45 The updated 2050 target will apply from the 2026 NZ ETS settings process.

Emissions budgets

46 Under the CCRA, the fourth emissions budget (EB4) for the period 2036 to 2040 must be set by 31 December 2025. Emissions budgets are set in response to advice from the Commission, who provided the Government advice on EB4 (as well as minor revisions to other budgets) in November last year. Given this advice was based on the current 2050 target, it may need to be updated to reflect the target change. I therefore propose the date by which EB4 must be set (and responses to the advice on revisions to other budgets) is extended by 24 months, to 31 December 2027, to allow sufficient time for this process.

9(2)(h)





9(2)(h) [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted].

Cost-of-living and financial implications

51 Meeting the methane target as currently legislated in the CCRA risks New Zealand requiring agricultural climate policies that impose increased costs on food production and relative costs of living. This is heightened if the costs of agricultural emissions reductions are greater than other opportunities available for mitigation across the wider economy. The Government is committed to managing agricultural emissions in a sustainable way that supports all of New Zealand's prosperity.

Legislative Implications

52 We propose to amend the Climate Change Response Act 2002 to change the 2050 emissions target and make consequential and technical changes. We propose to progress these amendments through a standalone Bill, and seek Cabinet’s approval to include the Bill in the 2025 Legislation Programme, with a priority of category 2 (must be passed by the end of 2025).

53 To enable this, we propose to seek delegated authority for the Minister of Agriculture and Minister of Climate Change to approve the Bill for introduction by December 2025 to give effect to the proposals in this paper.

Impact Analysis

Regulatory Impact Statement

54 The Ministry for the Environment and the Ministry for Primary Industries prepared a Regulatory Impact Statement (RIS) for the proposal to amend the 2050 biogenic methane target (attached in **Appendix 5**). A panel with members from the Ministry of Regulation, Ministry for the Environment and

Ministry for Primary Industries assessed the Regulatory Impact Statement (RIS) and considered that it meets the Quality Assurance criteria.

Climate Implications of Policy Assessment

55 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirm that CIPA requirements apply to this proposal as an explicit objective of the policy proposal is to reduce greenhouse gas emissions (see **Appendix 6** for detail).

Population Implications

56 *Māori and Iwi* - The Māori contribution to the New Zealand economy is around $32 billion, of this the primary industries (agriculture, forestry and fishing) contributes a total $19 billion.[4] The concentration of collectively held Māori assets in the agriculture and forestry sectors means climate change policies are likely to disproportionately impact Māori. These impacts are both positive and negative, depending on the sector.

57 *Rural Communities* - New Zealand's food and fibre sector is a large component of our economy accounting for 82.5% of goods exported and contributing 12.4% of overall employment.[5] The proposals in this paper are likely to provide clarity for the sector, which in turn will further support farmer and rural community confidence.

Human Rights

58 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external resources

59 The Ministry for the Environment contracted Principal Economics from March 2025 to June 2025 to undertake economic modelling to support analysis of different target options. The cost was $65,000.

Consultation

60 Public consultation was not undertaken for this proposal. There has been previous engagement with the public and iwi/Māori on the Zero Carbon Bill, first and second emissions reduction plans and NZ ETS legislation and the Commission's consultation on its review of the 2050 target.

[4] Te Ōhanga Māori - The Māori Economy 2023 Report prepared by Business and Economic Research Limited (BERL) for the Ministry of Business, Innovation and Employment (MBIE)
[5] These figures account for New Zealand's entire food and fibre sectors including dairy, meat and wool, forestry, horticulture, seafood, arable, processed food and other products.

61 MFAT was consulted. Other agencies were not consulted on this proposal but have been informed and consulted on policy development, including reviewing the draft RIS.

62 The proposals in this paper have had extensive Ministerial consultation with Coalition Partners of the Government.

Proactive Release

63 We propose that this paper is proactively released following final decisions on the 2050 target and subject to the Official Information Act 1982 redactions.

Recommendations

The Minister of Agriculture and Minister of Climate Change recommend that Cabinet:

Updating the biogenic methane component of the 2050 target and policy approach

1 **Note** that the Minister of Agriculture and Minister of Climate Change have considered a range of options for changes to the 2050 target that are informed by the Climate Change Commission (Commission) advice on the 2050 target, the independent Methane Panel (Methane Panel), and officials' advice on the biogenic methane target

2 **Agree** to update the biogenic methane component of the 2050 target to reduce emissions of biogenic methane to a range of 14-24% below 2017 levels by 2050

3 **Agree** to remove the proposal for a pricing system for on-farm emissions and for the Minister of Agriculture and Minister of Climate Change to report back to Cabinet by May 2026 to provide an update on progress towards agricultural emissions reduction

4 **Note** the Minister of Climate Change will continue to track progress towards the second emissions budget in line with the adaptive management approach outlined in the second emissions reduction plan and return to Cabinet if further policy decisions are to be considered as part of this approach

5 **Agree** to amend the CCRA to require a review in 2040 of the 2050 biogenic methane target, and methane science, to ensure it remains relevant, is based on the most up to date science for consistency with no additional warming, and takes account of New Zealand's progress, that of our trading partners and actions undertaken by the rest of the world, with a view to specifying a single point 2050 methane target

6 **Authorise** the Minister of Agriculture and Minister of Climate Change to make policy decisions related to the design of the 2040 review of the 2050 biogenic methane target

7 **Agree** to amend the CCRA to provide greater recognition of food production

8 **Authorise** the Minister of Agriculture and Minister of Climate Change to make policy decisions related to providing greater recognition of food production

9 **Agree** to direct Ministry for Primary Industries, Foreign Affairs and Trade, Treasury, and Environment officials to investigate opportunities to align New Zealand's future international climate targets with our domestic split-gas target approach, and report back to the Ministers of Foreign Affairs, Finance, Agriculture, Trade, and Climate Change

10 **Agree** to direct Ministry for Primary Industries and Environment officials to annually monitor the progress that other nations, particularly those who are the highest emitting, are making towards their climate change commitments

Responding to the Commission's recommendations on the 2050 target

11 **Note** that we believe that the 2050 target for emissions of greenhouse gases other than biogenic methane should not be increased

12 **Note** that the Minister of Climate Change will receive further advice on addressing emissions from international aviation and shipping later this year, and will seek Cabinet's agreement if the Minister recommends including international aviation and shipping emissions in our domestic target, or otherwise will respond to the Commission by November 2025 accordingly

13 **Agree** the Minister of Climate Change will respond to the Commission on their 2050 review consistent with the proposals in this paper

Consequential and technical changes to the Climate Change Response Act 2002

14 **Agree** to extend the date in the CCRA by which the fourth emissions budget (for the period 2036 to 2040) must be set by 24 months to 31 December 2027 to provide for consideration of the newly updated target

15 **Agree** to amend the CCRA to provide a transitional provision to clarify that the Commission does not need to reconsult on its advice on setting of the fourth emissions budget (and revisions to existing budgets) in light of an amendment to the 2050 target

16 **Agree** to defer the Minister's response to the Commission's advice on revision of existing emissions budgets to 31 December 2027 to provide for consideration of the updated target

17 **Agree** to amend the CCRA to provide a transitional provision to ensure the 2025 New Zealand Emissions Trading Scheme settings process is not affected by the change to the 2050 target

Process for amending the Climate Change Response Act 2002

18 **Invite** the Minister of Agriculture and Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office to amend the Climate Change Response Act 2002

19 **Approve** the inclusion of the Bill in the 2025 Legislation Programme, with a priority of category 2 (must be passed by the end of 2025)

20 **Authorise** the Minister of Agriculture and the Minister of Climate Change to approve the Bill for introduction

21 **Note** the Minister of Agriculture and Minister of Climate Change intend to publicly announce the Government's decision on the 2050 target

22 **Note** the Regulatory Impact Statement *Resetting the 2050 domestic climate change emissions target* meets the Quality Assurance criteria

Authorised for lodgement

Hon Todd McClay	Hon Simon Watts
Minister of Agriculture	Minister of Climate Change

Appendix 2: Climate Change Commission's 2050 target review advice

The Commission found there had been significant changes that justified increasing the level of New Zealand's domestic response to climate change, including:

- *Scientific understanding*: The impacts of global warming are greater, in both severity and scale, than was understood by the global science community when the target was set.

- G*lobal action:* Globally we are off track to meet the Paris temperature goals of limiting warming to 1.5°C. This implies that even greater reductions in global emissions are needed in the near and longer terms to limit as much as possible the amount by which the world exceeds 1.5°C, and then to bring the temperature down again.

- *New Zealand's fair share:* Many comparable countries have now set domestic emissions targets that require more emissions reductions than New Zealand's current target.

- *Intergenerational equity:* Delaying increased action transfers costs and risks to future generations.

The Commission recommended:

- reaching at least net negative 20 Mt CO_2e by 2050, including emissions from international shipping and aviation (IAS).

- reducing biogenic methane emissions from 2017 levels by at least 35%-47% by 2050.

- there are further reductions and removals of greenhouse gases beyond these levels after 1 January 2050.

Appendix 3: Methane Review's 2050 Target Review Findings

The Methane Science and Target Review Panel (the Panel) was asked to deliver an independent review of the methane science and the 2050 target for consistency with the principle of "no additional warming" from agricultural methane emissions from a 2017 base year.

The Panel mapped a range of potential methane emissions futures for New Zealand against possible emissions reduction pathways (the IPCC scenarios) the world might take. The Panel found that the extent to which New Zealand's methane causes warming is also affected by emissions of methane and other greenhouse gases from the rest of the world.

The Panel's results show that:

- Under a low emission global scenario, akin to limiting the temperature increase to 1.5°C above pre-industrial levels, cuts amounting to 24% reductions by 2050 are sufficient to keep or return warming to or at below 2017 levels.
- For mid-range global scenarios, holding average temperatures to 2.0-2.7°C, cuts of 14-15% by 2050 are sufficient to keep or return warming to or at below 2017 levels.
- For high emission scenarios, with a temperature increase well over 2.0°C and as high as approximately 4.5°C, maintaining 2022 domestic emissions levels is sufficient to keep or return warming to or at below 2017 levels.

Appendix 6

Climate implications of policy assessment: Disclosure sheet

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for Aotearoa New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with Aotearoa New Zealand's emissions budgets.

Section 1: General information

General information	
Name/title of policy proposal or policy option:	Resetting the 2050 domestic climate change emissions target
Agency responsible for the Cabinet paper:	Ministry for the Environment, Ministry for Primary Industries
Date finalised:	4/09/2025
Short description of the policy proposal:	This paper seeks agreement to reset New Zealand's 2050 domestic emissions target in the Climate Change Response Act 2002 (CCRA).

Section 2: Greenhouse gas emission impacts

This CIPA considers two key changes - changes to the biogenic methane target for 2050, and the impact of replacing the agriculture emissions pricing system for on-farm emissions (to be put in place by 2030), as was modelled in the second Emissions Reduction Plan (ERP2). The impacts of these decisions depend on whether the impact of the new biogenic methane target is measured against the lower or upper bound of the range of the existing biogenic methane target; and the outcomes of the Government's planned process to replace agricultural emissions pricing.

For this analysis on the 2050 biogenic methane target, we have compared emissions under the proposed new target range with the emissions projections from ERP2 because these are the latest available projections. We have also compared emissions against the higher bound of the old target range, as this forms part of the current legislated target. We considered three scenarios: one where biogenic methane emissions reach the lower bound of the new 2050 biogenic methane target (14%), and two where biogenic methane emissions reach the higher bound of the new 2050 biogenic methane target (24%). One of the higher bound scenarios has biogenic methane emissions unchanged from ERP2 projections; the other assumes biogenic methane emissions reduce more slowly in the 2030s – reflecting that an alternative policy to agricultural emissions pricing might result in a different emissions reduction trajectory.

These scenarios demonstrate the possible impacts from these changes, as well as generally demonstrating that the emissions reduction to 2050 is uncertain.

Table 1. Emissions impact of changing the biogenic methane component of the 2050 target

	Changes in net target accounting greenhouse gas emissions in tonnes of carbon dioxide equivalent (Mt CO_2-e)							Total net target accounting emissions in 2050 (Mt CO2-e)
	2022–25	**2026–30**	**2031–35**	**2036–40[4]**	**2041–45[4]**	**2046–50[4]**	**Total[4]**	
ERP2 with additional measures (reference scenario) – absolute emissions	284.1	303.1	249.2	192.2	149.5	146.9	1,324.9	28.6
Current 2050 target (24 - 47% biogenic methane and net-zero for LLGs by 2050)	-	-	-	-	-	-	-	20.2 – 28.9[3]
Lower bound of 2050 target (14% for biogenic methane and net-zero for LLGs by 2050) – based on linear trajectory for biogenic methane to 14% in 2050 from 2030 10% target	0	0	9.2	19.0 (24.9)	21.6 (40.7)	21.0 (56.5)	70.7 (131.4)	32.7
Higher bound of 2050 target (24% for biogenic methane and net-zero LLGs by 2050) – based on linear trajectory for biogenic methane to 24% in 2050 from 2030 10% target[1]	0	0	6.3	11.4 (17.3)	9.2 (28.3)	3.8 (39.4)	30.7 (91.4)	28.9
Higher bound of 2050 target (24% for biogenic methane and net-zero LLGs by 2050) – based on ERP2 [2]	0	0	0	0 (5.9)	0 (19.2)	0 (35.6)	0 (60.7)	28.6[2]

[1] The emissions impact quantified for this variation of the higher bound (24%) of the 2050 biogenic methane target is based on the difference between our current trajectory from ERP2 and a new trajectory based on a linear path from the 10% target in 2030 to a 24% target in 2050. This was included to reflect the potential impact of removing agricultural pricing on the current trajectory based on ERP2 (which includes the impact of agricultural pricing), i.e., removing agricultural pricing could lead to a different trajectory to reaching the 24% biogenic methane target in 2050.

[2] The emissions impact quantified for this variation of the higher bound (24%) of the 2050 biogenic methane target assumes that the emissions impact of removing agricultural pricing will be offset by alternative actions that provide a similar level of abatement within each emissions budget period as currently modelled for agricultural pricing in ERP2 (including a slight overachievement of the 24% biogenic methane in 2050 by 0.9% as modelled in ERP2).

[3] The range represents the total net target accounting emissions in 2050 achieved based on the low and high end of the given target range for biogenic methane in 2050.

[4] The numbers in brackets represent the difference between emissions under the upper and lower bound of the proposed target range and a scenario where biogenic methane achieved the top end of the current target (a 47% reduction), with net long-lived gas emissions remaining based on ERP2 with additional measures.

Table 2. Emissions impact of removing agricultural pricing

	Changes in net target accounting greenhouse gas emissions in tonnes of carbon dioxide equivalent (Mt CO_2-e)					
	2022–25	**2026–30**	**2031–35**	**2036–40**	**2041–45**	**2046–50**
ERP2 with additional measures (reference scenario) – absolute emissions	284.1	303.1	249.2	192.2	149.5	146.9
Emissions impact of removing agricultural pricing	0	0.2	10.6	21.3	26.3	27.9
Additional abatement required to meet **lower bound of 2050 target** (14% for biogenic methane by 2050)	0	0.2	1.4	2.4	4.7	6.9

Section 3: Additional information

Additional information

- In Table 1, we have compared the net target accounting emissions trajectory against a reference scenario. The reference scenario used is the projected emissions from New Zealand's second emissions reduction plan (ERP2). Current projections from ERP2 indicate New Zealand is ~9.2 Mt CO2e short of meeting the third emissions budget (EB3 – 2031-35). The emissions impact is calculated as the change in emissions from the reference scenario. The projected trajectory of emissions reductions outlined in ERP2 is just one way the 2050 target could be met and using this trajectory as a reference scenario for the broader range of possible outcomes that could be achieved from the current legislated 2050 target may not be truly reflective of the emissions impact of changing the 2050 target.
- For the higher bound (24%) of the 2050 target, two versions have been calculated in Table 1 which is explained in footnotes 1 and 2.
- For the lower bound (14%) of the 2050 target we have calculated the trajectory of biogenic methane emissions assuming a linear trajectory from projected emissions in 2030 from ERP2 (which achieves the 10% biogenic methane component of the 2050 target). The emissions impacts calculated are not based on quantified impacts from policy assumptions or specific policies and are based on a simple assumption that the targets are met through linear reductions from a specified date to the emissions target in 2050. As a result, there is a high degree of uncertainty of the emission impact as the trajectory of emission reductions are generally non-linear.
- In Table 2, we have quantified the impact of removing agricultural pricing based on the modelling undertaken for ERP2. These results indicate that removing agricultural pricing, in the absence of other action, will not achieve the lower bound of the proposed 2050 target for biogenic methane (14%). We have calculated the additional abatement required to achieve the 14% target based on the difference between the illustrative trajectory used in Table 1 that meets the 14% target and the modelled trajectory from ERP2 if agricultural pricing was removed as a policy.
- Tables 1 and 2 cannot be added to obtain a cumulative emissions impact.
- This disclosure sheet uses emissions data from the 2024 ERP2 projections and the 2024 GHGI. The biogenic methane target range for the CIPA has also been calculated using the 2024 GHGI, to ensure consistency with the 2024 ERP2 projections, which are calibrated to the 2024 GHGI.

Additional information

- The CIPA disclosure sheet details the emissions impact of the proposed change to the target presented in this Cabinet paper, whereas the RIS outlines the emissions impact of the options considered.
- The information in this disclosure sheet is expected to require revision once the updated 2025 projections are released.

Section 4: Quality assurance

Quality assurance

The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirm that CIPA requirements apply to this proposal as an explicit objective of the policy proposal is to reduce greenhouse gas emissions.

The proposal recommends amending the biogenic methane component of the 2050 target to a reduction of 14% to 24% below 2017 levels by 2050. The emissions impact of this decision is quantified in Table 1 of Section 2.

This proposal removes the agricultural emissions pricing policy, which was expected to deliver an abatement of 0.2 Mt CO_2-e in EB2 and 10.6 Mt CO_2-e in EB3. The emissions impact of this decision is quantified in Table 2 of Section 2. The CIPA team notes that this policy was a key strategy in ERP2 for reducing emissions in Emissions Budget 3 (EB3); therefore, its removal poses a risk to meeting the current 2050 target. Its removal would mean additional action is required to meet the lower bound (14%) of the new proposed 2050 target. It is assumed the 2050 target will still be achieved through alternative strategies, such as new government policies and industry action.

Because the existing target range (24% to 47%) is factored into decisions on emissions budgets and influences broader climate policy settings, introducing a new lower bound of 14% below 2017 levels may result in higher emissions than if the current range were retained.

The modelling used to estimate the impact of resetting the 2050 target follows the ERP2 policy scenario through to 2030. It therefore assumes the 2030 biogenic methane target, a 10% reduction from 2017 levels, is met. As a result, there is no impact on Emissions Budget 2 (EB2) (noting that the estimate of the emissions impact of removing agricultural pricing during EB2 is 0.2 Mt CO_2-e). However, modelling suggests the amended 2050 target could increase the projected gap to meeting EB3, currently estimated at 9.2 Mt CO_2-e. Policies to address this gap will be agreed as part of the third Emissions Reduction Plan (ERP3), to be set in 2029, which will outline the policies and actions needed to reduce emissions over that budget period.

These emissions pathways are indicative only and based on ERP2 projections, with the expectation that they will change following updated projections. They do not account for future policy decisions, technological developments, or economic conditions, all of which are likely to evolve over time. There is significant uncertainty in estimating emissions over long timeframes.

Climate
IEB UNIT

Briefing: 2025 adaptive management assessment and Government response to the Climate Change Commission's emissions reduction monitoring report – approval to lodge Cabinet paper

Date submitted: 29 September 2025
Sub Security level: CLASSIFICATION
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS **Minister of Climate Change**	**Agree** to lodge the attached Cabinet paper and Government response with Cabinet Office for ECO on 8 October **Note** the attached talking points to support the discussion at ECO	1 October 2025

Actions for Minister's office staff
Return the signed briefing to the CCIEB Unit (board@climateieb.govt.nz).

Appendices and attachments
1. Draft Cabinet paper and response to the Climate Change Commission's emissions reduction monitoring report (clean version)
2. Draft Cabinet paper and response to the Climate Change Commission's emissions reduction monitoring report (tracked version)
3. Table of consultation feedback received
4. Proposed talking points to support Cabinet Economic Policy Committee

Key contacts at Ministry for the Environment			
Position	***Name***	***Cell phone***	***First contact***
Principal Author	Manon Julien		
Chief Advisor	Amy Tisdall		
Executive Director	Kirsty Flannagan		✓

Appendix 4 withheld in full under section 9(2)(g)(i) of the Act

Minister's comments

Briefing: 2025 adaptive management assessment and Government response to the Climate Change Commission's emissions reduction monitoring report – approval to lodge Cabinet paper

Purpose

1. This briefing presents you with an updated Cabinet paper and Government response to the Climate Change Commission's (the Commission) emissions reduction monitoring report (ERM Report) to approve for lodgement (attached at Appendix 1). Proposed talking points to support the discussion at ECO are also attached in Appendix 4.

2. This briefing also updates you on the inclusion of content in the Cabinet Paper and next steps regarding an amendment to ERP2 to reflect Cabinet's recent decision on agricultural pricing. These are captured in paragraphs 8, 31 to 34, and in the final two recommendations of the Cabinet paper.

Changes to the Cabinet Paper and Government response to ERM report

3. Parallel Ministerial and agency consultation on the draft Cabinet paper and Government response to the Commission's ERM report has recently concluded.

4. We have not received any Ministerial feedback via your office on the paper. Officials have updated the Cabinet paper and Government Response to reflect feedback received from agencies (as outlined in Appendix 3), and to include content on amending ERP2 (see below at paras 5 - 8). For your reference, the tracked versions of the Cabinet paper and Government response are attached at Appendix 2.

Amending ERP2

5. As agreed in BRF-6730 and as discussed with officials, the Cabinet paper has been updated to include content on amending ERP2, to reflect Cabinet's recent decision to not progress agricultural emissions pricing.

6. The version of the adaptive management Cabinet paper used for agency and Ministerial consultation did not include ERP2 amendment content, as relevant Cabinet decisions had not yet occurred. We have since shared the updated paper with ERP2 agencies.

7. We understand your preference is for an ERP2 amendment to be published by the end of 2025. To achieve this, the paper notes your intent, in consultation with Minister McClay, to approve a discussion document for consulting on the Government's revised approach to meeting EB2 for 3 weeks commencing mid-October 2025, and to confirm the final amended ERP2 for tabling before the end of 2025.

8. The statutory duty to amend an ERP to reflect this policy change rests with you, with para 5.36 of the Cabinet Manual noting that Cabinet must not make, or appear to make, a decision that a statute requires a Minister to make. However, in light of Cabinet convention to keep colleagues informed, we propose you seek that Cabinet note your intent to undertake this process, in consultation with the Minister of Agriculture. You could offer to do an oral update to Cabinet before publishing the amended ERP2, if judged helpful.

Next steps

9. The next steps proposed are:

Timeframe	Action
2 October	Cabinet paper lodged with ERM response appended
8 October	ECO consideration
9 October	Draft ERP2 amendment consultation document provided to you for approval, in consultation with Minister McClay
13 October	Cabinet consideration
By 15 October	Statutory deadline[1] to present the ERM response to the House of Representatives
Mid-October – early November	3 week consultation period on proposed amendments to ERP2 (via MfE website)
27 November	Draft ERP2 amendment and associated advice provided to you for approval, in consultation with Minister McClay.
11 December	Final ERP2 amendment provided to you for approval
16 December	Publish the ERP2 amendment, including tabling in Parliament

10. If ECO raises concerns about consultation on the ERP2 amendment this year, we recommend seeking Cabinet agreement on the rest of the Cabinet paper and returning to ECO on the ERP2 amendment via an oral item at a later date. This would ensure the Government Response to the ERM Report is able to be tabled by its statutory deadline.

[1] As required under the Climate Change Response Act 2002 section 5ZK(4)

11. No proactive press release is planned for when the Government Response is tabled in the House. Ahead of the Response being considered by Cabinet on 13 October, officials will provide your office with a formatted version of the response for tabling and publishing, and key messages, questions and answers to support any reactive communication support required.

Recommendations

We recommend that you:

a. **agree** to lodge the attached Cabinet paper and Government Response to the Climate Change Commission's emissions reduction monitoring report with Cabinet Office for the Cabinet Economic Policy Committee (ECO) to consider on 8 October (see Appendix 1)

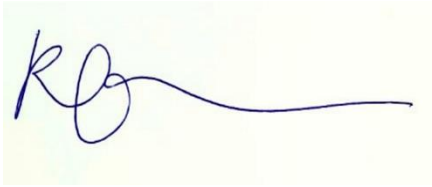
Yes | No

b. **note** the inclusion of content in the Cabinet Paper and next steps regarding amending ERP2 to reflect Cabinet's recent decision on agricultural pricing.

c. **note** the proposed talking points support the presentation of the papers at ECO (see Appendix 4)

d. **note** the next available Cabinet date is 13 October, with the Government Response to the ERM required to be tabled in the House of Representatives by 15 October.

Signatures



Kirsty Flannagan
Executive Director
Climate Change Interdepartmental Executive Board Unit
29 September 2024

Hon Simon WATTS
Minister of Climate Change

Date

Appendix 1: Clean version of Cabinet paper and response to the Climate Change Commission's emissions reduction monitoring report

(see attached papers)

CLASSIFICATION

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

2025 adaptative management assessment of progress towards the second emissions budget and Government Response to Climate Change Commission's Emissions Monitoring Report

Proposal

1 This paper seeks agreement to the 2025 adaptive management assessment of progress towards New Zealand's second emissions budget and the Government Response to the Climate Change Commission's 2025 *Monitoring report: Emissions reduction*. In addition, it asks Cabinet to note my intent to amend ERP2 to reflect the recent Cabinet decision to not progress a pricing system for on-farm emissions.

Relation to Government priorities

2 This paper supports the achievement of Government Target 9, which is to be on track to meet New Zealand's 2050 net zero climate change targets, with total net emissions of no more than 290 Mt from 2022 to 2025 and 305 Mt from 2026 to 2030 (corresponding to the first and second emissions budgets). It also supports statutory obligations under the Climate Change Response Act 2002 (the Act) to ensure net emissions do not exceed the relevant emissions budget. The response to the ERM Report is also a statutory obligation under the Act with a statutory deadline of 15 October 2025.

Executive summary

3 New Zealand's second emissions reduction plan (ERP2) includes an adaptive management approach, requiring annual Cabinet report backs on whether New Zealand remains on track to meet its second emissions budget (EB2) and, if necessary, agreement of further actions to get back on track.

4 The recently finalised 2025 emissions projections suggest our market-led and cost-effective approach to reducing emissions is working. New Zealand remains on track to meet its first emissions budget (EB1) and EB2, and Government Target 9, with increased surpluses (or 'buffers') for both EB1 and EB2 compared to 2024 projections.

5 After considering updated emissions projections and reviewing potential risks to EB2, I am confident New Zealand remains on track to meet EB2 and no corrective action is required for this year's adaptive management decision.

6 This paper also seeks approval of the Government Response to the Climate Change Commission's (Commission's) 2025 Emissions Reduction Monitoring (ERM) Report. The Commission found New Zealand is likely to meet EB1 and can meet EB2 but

recommended the Government act ahead of the third emissions reduction plan, to reduce risks to EB2 and get on track for the third emission budget (EB3).

7 In my view, New Zealand's net-based climate strategy is already advancing work in areas aligned with this recommendation and given the EB2 period has not yet commenced, I do not consider immediate action ahead of EB3 necessary at this stage.

8 As part of 2050 target decisions, Cabinet recently agreed not to progress a pricing system for on-farm emissions [CAB-25-MIN-0329 refers]. I remain confident that we remain on track for EB2, but this change requires ERP2 be amended to present an accurate record of our current plan to meet EB2. I propose to publicly consult on the amendment this year, allowing the amendment to ERP2 to be published ahead of the EB2 period commencing in 2026.

Background

9 In December 2024, the Government published its second emissions reduction plan, outlining the Government's approach to achieve EB2 [ECO-24-MIN-0243]. ERP2 includes an adaptive management approach, to ensure the Government stays on track to meet EB2.[1] In approving ERP2, Cabinet agreed to annual report backs, as part of the Government Response to the Commission's ERM Report, to:

9.1 confirm whether the Government remains on track to meet the second emissions budget; and, if not

9.2 recommend further actions that might be necessary to get back on track, as outlined in the adaptive management approach for ERP2.

10 The Act requires the Commission to independently monitor and report annually on progress towards the 2050 target and emissions budgets, and implementation of emissions reductions plans. I received the Commission's 2025 ERM Report on 15 July 2025 and must respond to this report within 3 months of receiving it.[2]

Part I: Progress towards meeting emissions budgets and targets

11 Emissions projections out to 2050 are produced annually to give an updated picture of progress towards emissions budgets. Projections can change year on year due to external factors like private sector responses, policy changes, and implementation progress, and modelling improvements.

12 New Zealand's 2025 Greenhouse Gas Emissions Projections have recently been finalised. Key drivers of change in the 2025 projections compared to 2024 projections include on the upside, increased forestry removals, changes to waste emissions methodology[3], and increased expectations for agricultural mitigation technology uptake over the EB2 period; offset by increased expectations for agricultural livestock numbers and production. Updated estimates of gas reserves in New Zealand also

[1] The Act includes a statutory duty on the Minister of Climate Change to ensure net emissions do not exceed the emissions budget for the relevant emissions budget period (section 5X(4)).
[2] Section 5ZK of the Act
[3] Noting I have work underway to understand how the impact of methodological changes is managed within the Act's fixed emissions budgets.

contribute to the upside change, though this situation has also resulted in abatement from the CCUS policy being removed from projections.[4]

13 2025 projections show that New Zealand remains on track to meet EB1 and EB2, and Government Target 9, with increased surpluses (or 'buffers') for both EB1 and EB2 compared to 2024 projections (based on the central estimate of projections).

14 New Zealand can meet both the 2050 biogenic methane and 2050 net zero targets but is off-track for EB3 and the 2030 biogenic methane target (based on the central scenarios of projections, although achieving the 2030 biogenic methane target is within the projected uncertainty range). Cabinet has recently agreed to change the 2050 methane target and retain the 2050 net zero target. These projections are based on the currently legislated target, but we can also meet the revised 2050 methane target.

Part II: Adaptive management assessment for EB2 2026-2030

New Zealand remains on track for EB2

15 New Zealand remains on track to meet EB2 with a buffer of 4.5 Mt (an increase from 1.9 Mt in 2024 projections). However, and as to be expected when forecasting five years into the future, there is a reasonable level of uncertainty in the projected level of total emissions over the EB2 period as reflected by the sensitivity range. Although the 325.8 Mt high estimate of the sensitivity range sits above the EB2 limit of 305 Mt it is just as possible that the low estimate of the range (285.4 Mt) is realised. The central estimate of 300.5 Mt is judged as the scenario that is most likely to eventuate and is the basis for the adaptive management assessment.

16 Projections also indicate New Zealand will achieve EB1 with a buffer of 7.8 Mt, an increase from 5.9 Mt in 2024 projections. Any surplus reductions from EB1 could be counted towards meeting EB2 under the "banking" provisions in the Act.[5]

There are some risks to EB2 that could arise

17 To support the adaptive management assessment, the Climate Change Chief Executives Board convened a cross-agency review of possible risks to EB2. Most were assessed as low likelihood or consequence and do not warrant escalation or further action at this stage.

18 There are some risks that could arise and adversely impact emissions during the EB2 period, which I suggest Cabinet note. These risks primarily relate to farmer uptake of mitigation technologies potentially being lower than the 1.9 Mt of abatement across the EB2 period that was modelled in the 2025 projections. Uptake is influenced by

[4] The Todd group have publicly expressed they do not intend on pursuing Carbon Capture and Storage (CCUS) at Kapuni, citing gas scarcity and the NZ ETS price. As a result, 2025 projections no longer assume abatement from CCUS (an ERP2 policy).

[5] Section 5ZF of the Act provides that if total emissions in an EB period are lower than the relevant EB, the excess reduction may be carried forward (or banked) to the next EB period, with the EB for the next EB period increased by the amount carried forward. The Minister must have regard to relevant advice from the Climate Change Commission in its end of EB report, before making a decision in 2028 to bank any excess reduction.

numerous factors including market demand and support, policy interventions, technology availability, and individual farm business circumstances.

19 This Government is committed to growing the economy while meeting our climate goals. While continued economic growth is positive and necessary, I am mindful that increased production without corresponding efficiency gains can result in increased emissions for sectors outside of the NZ ETS. This is why we are committed to our market and technology-led approach to managing agricultural emissions.

20 The NZ ETS remains New Zealand's primary tool for reducing emissions, with any risks within NZ ETS-sectors managed within the NZ ETS cap. Cabinet recently agreed the NZ ETS cap for the next five years as part of its annual ETS Settings decisions. 2025 projections reflect these decisions and indicate ETS-covered sectors are on track or over-performing in relation to the ETS cap - suggesting our market-led and cost-effective approach to reducing emissions is working.

21 In agreeing to these settings, Cabinet noted the NZ ETS accordance assessment advised that the surplus stockpile of units undermines certainty in the timing of abatement, meaning emissions could exceed EB2. This risk is being actively managed through the 2025 NZ ETS settings update, which is following a consistent policy of drawing down the surplus stockpile by 2030.

22 9(2)(f)(iv)

No adaptive management corrective action or response is required

23 I judge these risks are too uncertain to warrant action now. This, combined with confidence in our ability to meet EB2 from the 2025 projections supports the view that no corrective action is required this year to ensure New Zealand stays on track to meet EB2. These risks will be reassessed through the 2026 adaptive management process, in light of updated projections in 2026.

Part III: Government Response to the Commission's ERM Report

24 The proposed Government Response is attached at Appendix 1. The Response must**:**

24.1 set out the response to the Commission's ERM Report;

24.2 describe the progress made in implementing the current ERP; and

24.3 note any amendments to the current ERP.

High level assessment and response

25 I agree with the Commission's key findings that New Zealand is on track to meet EB1, and EB2 can be met.

26 The Commission has highlighted several delivery risks across ERP2 sectors. The Government Response outlines how the Government is addressing key risks identified by the Commission.

27 The Commission sets out an overarching recommendation that the Government should act ahead of ERP3 to get on track to meet EB3. This recommendation aligns well with the Government's existing climate strategy, which includes strengthening the NZ ETS and complementary measures such as supporting the development, commercialisation and adoption of agricultural technology. ERP3 will set out how New Zealand intends to meet EB3. Exploring opportunities ahead of ERP3 may support policy development and provide useful lead-in time, and I am interested in considering this as part of future planning for ERP3.

28 However, given that the EB2 period has not yet commenced, I do not consider immediate action necessary at this stage. I am confident that the adaptive management process provides a sufficient framework to manage any emerging risks to EB2.

29 The NZ ETS remains an important tool in New Zealand's climate strategy, with a number of initiatives underway to strengthen the NZ ETS.[6] NZ ETS policy and settings will need to evolve to reflect changing circumstances and ensure continued impact. 9(2)(f)(iv)

Implementation progress and amendments to the first emissions reduction plan

30 The Government Response outlines the following:

30.1 The ERP1 amendment was published in December 2024, formally removing 41 actions from the Plan and aligning it with the Climate Strategy.

30.2 The amended ERP1 continues to be implemented ahead of EB1 and ERP1 concluding at the end of this year. As at December 2024, over half of remaining ERP1 actions were expected to achieve their outcomes by the end of 2025, with work established by many of these likely to continue beyond EB1. However, many actions are unlikely to achieve their intended outcomes during the ERP1 period with 19 actions discontinued, 46 actions on hold, 5 actions yet to begin and 15 actions delayed or uncertain. The Response cites the 2025 projections as indicating New Zealand remains on track to meet EB1.

30.3 While ERP2 formally begins when EB2 commences on 1 January 2026, implementation of nearly all ERP2 policies is underway.

[6] Such as reviewing the NZ ETS settings decision-making frameworks and tools, jointly with the Climate Change Commission; 9(2)(f)(iv) and strengthening market governance through the CCRA amendments..

Part IV: ERP2 amendment to remove agricultural pricing commitment

31 On 22 September, Cabinet agreed to not progress a pricing system for on-farm emissions as part of the 2050 methane target decisions [CAB-25-MIN-0329 refers]. That paper also outlined that the Minister of Agriculture and I:

31.1 intend to engage with industry leaders to maintain momentum and update ERP2 accordingly; and

31.2 will report back to Cabinet in May next year to provide an update on progress towards agricultural emissions reduction.

32 I am confident that this change will not impact on our ability to meet EB2, noting that in ERP2 agricultural pricing was expected to contribute abatement primarily in EB3. In its place we intend to support and leverage growing industry, market, and technology-led activity to enable farms to accelerate the uptake of new technology to reduce methane, without adding significant costs to production.

33 The Act provides a mechanism for amending emissions reduction plans to maintain their currency and requires public consultation on amendments unless the amendment is minor or technical. I propose to undertake consultation on the removal of the agricultural pricing policy from ERP2 before the end of 2025, so an amendment to ERP2 can be published ahead of the EB2 period commencing in January 2026.

34 I have the statutory responsibility under the Act to prepare and amend ERPs. In line with this, and to amend ERP2 by the end of the year, I propose to

- consult on the Government's revised approach to meeting EB2 that reflects the removal of agricultural pricing. Given our intention to engage with industry and report back to Cabinet in May, and that we are still on track for EB2 even accounting for the removal of this policy, I anticipate this public consultation will not focus on firm alternative policies to pricing. Rather, it will be an opportunity to gain useful insights to inform the May report back process.
- confirm a short discussion document, in consultation with the Minister of Agriculture, for consultation for 3 weeks commencing mid-October 2025.
- confirm, without returning to Cabinet but in consultation with the Minister of Agriculture, the final amendment to ERP2 for tabling before the end of 2025.

9(2)(h) [redacted]

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[redacted]

[redacted]

Cost of living implications

38 The proposals in this paper do not have any direct cost of living implications.

Financial implications

39 The proposals in this paper do not have any direct financial implications.

Legislative implications

40 The proposals in this paper do not have any direct legislative implications.

Climate Implications of Policy Assessment

41 No Climate Implications of Policy Assessment is required as no policy changes are recommended.

Population implications

42 The proposals in this paper do not have any direct population implications.

Human rights

43 The proposals in this paper do not have any inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Use of external resources

44 Deloitte was contracted to review the process used to develop adaptive management advice, including its underlying analysis and risk assessment approach.

Consultation

45 The following agencies were consulted on this Cabinet paper and the Government response to the Commission's report: Ministry for the Environment, Ministry for Primary Industries, Ministry of Business, Innovation & Employment, Ministry of Transport, The Treasury, and Ministry of Foreign Affairs and Trade.

46 The Department of the Prime Minister and Cabinet has been informed.

Communications

47 The Government Response (Appendix 1) will be presented to the House of Representatives by 15 October, at which point it will be made publicly available through the Ministry for the Environment's website. I do not intend to issue a press release.

48 The discussion document on the proposed amendments to ERP2 to reflect the revised approach to meeting EB2 is planned to be published on the Ministry for the Environment's website for a 3-week public consultation from mid-October to early November. A final amendment to ERP2 is planned for publication on the Ministry for the Environment website by the end of 2025.

Proactive release

49 I intend to proactively release this paper and associated Cabinet Committee papers and minutes within 30 business days of final decisions being confirmed by Cabinet, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1 **Note** that in December 2024, Cabinet agreed to an adaptive management approach outlined in the second emissions reduction plan (ERP2), including an annual Cabinet report back on whether New Zealand is on track for the second emissions budget or if further action is needed to get back on track [ECO-24-MIN-0243].

2 **Note** the central estimates of the 2025 emissions projections indicate New Zealand remains on track to meet the first and second emissions budgets, and Government Target 9.

Adaptive management assessment

3 **Note** the projected surplus for the second emissions budget and the cross-agency process of assessing risks did not identify any risks that require action this year.

4 **Agree** the 2025 adaptive management assessment is that New Zealand remains on track to achieve the second emissions budget and no further action is required.

Government Response to the Climate Change Commission ERM Report

5 **Note** on 15 July 2025 I received the Climate Change Commission's annual Emissions Reduction Monitoring Report (ERM report) and must respond to this report within 3 months.

6 **Approve** the public-facing Government Response to the ERM Report, attached as Appendix 1.

7 **Agree** that I present the Government Response to the House of Representatives by 15 October, at which point it will be made publicly available on the Ministry for the Environment's website.

8 **Agree** that I can make minor and technical changes to the Government Response, if required between now and publication.

ERP2 Amendment to remove agricultural pricing commitment

9 **Note** that in light of Cabinet's recent decision to not progress a pricing system for on-farm emissions, the Minister of Climate Change has a statutory duty to amend ERP2 to present an accurate record of our current plan to meet EB2.

10 **Agree** the Minister of Climate Change, in consultation with the Minister of Agriculture, will

10.1 approve a discussion document for public consultation this year on an amendment to ERP2 reflecting this change, and

10.2 finalise an amendment to ERP2 for publication before EB2 commences in 2026;

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

Appendix 1: Government Response to Commission's Monitoring Report

Report out of scope of the request

Appendix 2: Tracked change version of Cabinet paper and response to the Climate Change Commission's emissions reduction monitoring report

(see attached papers)

CLASSIFICATION

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

2025 adaptative management assessment of progress towards the second emissions budget and Government Response to Climate Change Commission's Emissions Monitoring Report

Proposal

1 This paper seeks agreement to the 2025 adaptive management assessment of progress towards New Zealand's second emissions budget and the Government Response to the Climate Change Commission's ~~(Commission)~~ 2025 *Monitoring report: Emissions reduction*. In addition, it asks Cabinet to note my intent~~agreement~~ to amend ERP2 to reflect the recent Cabinet decision to not progress a pricing system for on-farm emissions. ~~(ERM Report).~~

Relation to Government priorities

2 This paper supports the achievement of Government Target 9, which is to be on track to meet New Zealand's 2050 net zero climate change targets, with total net emissions of no more than 290 Mt[1] from 2022 to 2025 and 305 Mt from 2026 to 2030 (corresponding to the first and second emissions budgets). It also supports~~, and~~ statutory obligations under the Climate Change Response Act 2002 (the Act) to ensure net emissions do not exceed the relevant emissions budget. The response to the ERM Report is also a statutory obligation under the Act with a statutory deadline of 15 October 2025.

Executive summary

3 New Zealand's second emissions reduction plan (ERP2) includes an adaptive management approach, requiring annual Cabinet report backs ~~to confirm~~ on whether New Zealand remains on track to meet its second emissions budget (EB2) and, if necessary~~ot~~, ~~to recommend~~agreement of further actions to get back on track.

4 ~~Updated~~ The recently finalised 2025 emissions projections suggest our market-led and cost-effective approach to reducing emissions is working. New Zealand remains~~is~~ on track to meet ~~EB1~~its first emissions budget (EB1) and~~,~~ EB2, and Government Target 9, with increased surpluses (or 'buffers') for both EB1 and EB2 compared to 2024 projections~~., the 2050 biogenic methane target, and the net zero 2050 target. Although New Zealand is currently off track for EB3 and the 2030 biogenic methane target, it is the task of the third emissions reduction plan to set out how EB3 will be met., and achieving the 2030 biogenic methane target is within the projected uncertainty range.~~

[1] ~~Mt represents megatonnes of carbon dioxide equivalent~~

5 After considering updated emissions projections and reviewing ~~the~~ potential risks to EB2, I am confident New Zealand remains on track to meet EB2 and no corrective action is required for this year's adaptive management decision.

This paper also seeks approval of the Government Response to t~~T~~he Climate Change Commission's (Commission's) 2025 ~~ERM~~ Emissions Reduction Monitoring (ERM) Report. The Commission found ~~also confirmed~~ New Zealand is likely ~~on track~~ ~~for~~ to meet EB1 and can meet EB2, but ~~.~~

6 ~~The Commission noted that current plans are insufficient to meet EB3 and~~ recommended the Government act ahead of the third emissions reduction plan, to reduce ~~any potential~~ risks to EB2 and get on track for the third emission budget (EB3).

7 In my view, New Zealand's net-based climate strategy is already advancing work in areas aligned with this recommendation ~~,~~and given the EB2 period has not yet commenced, I do not consider immediate action ahead of EB3 necessary at this stage ~~including strengthening the NZ ETS and supporting complementary measures across key sectors~~.

~~6~~8 As part of 2050 target decisions, Cabinet recently agreed not to progress a ~~-~~pricing system for on-farm emissions [CAB-25-MIN-0329 refers]. I remain confident that we remain on track for EB2, but this change requires ERP2 be amended to present an accurate record of our current plan to meet EB2. I propose to publicly consult on the amendment this year, allowing the amendment to ERP2 ~~updated plan~~ to be published ahead of the EB2 period commencing in 2026.

Background

~~7~~ In December 2024, the Government published its second emissions reduction plan, ~~which~~ outlininges ~~our plan~~the Government's approach to ~~meet~~ achieve EB2 [ECO-24-MIN-0243]. ~~Emissions budgets are New Zealand's five-yearly stepping stones to meeting our 2050 net zero target.~~

~~8~~9 ERP2 includes an adaptive management approach, to ensure the Government stays on track to meet EB2.[2] In approving ERP2, Cabinet ~~invited me, and Ministers responsible for ERP2 policies, to~~agreed to annual report back~~s annually~~, as part of the Government~~'s~~ R~~r~~esponse to the Commission's ERM Report, to:

~~8.1~~9.1 confirm whether the Government remains on track to meet the second emissions budget; and, if not

~~8.2~~9.2 recommend further actions that might be necessary to get back on track, as outlined in the adaptive management approach for ERP2.

~~9~~10 The Act requires the Commission to independently monitor and report annually on progress towards the 2050 target and emissions budgets, and implementation of

[2] The Act includes a statutory duty on the Minister of Climate Change to ensure net emissions do not exceed the emissions budget for the relevant emissions budget period (section 5X(4)).

emissions reductions plans. I received the Commission's 2025 ERM Report on 15 July 2025 and must respond to this report within 3 months of receiving it.[3]

Part I: Progress towards meeting emissions budgets and targets

~~10~~11 Emissions projections out to 2050 are produced annually to give an updated picture of progress towards emissions budgets ~~and targets~~. Projections can change year on year due to external factors like ~~changes in real-world activity and~~ private sector responses, policy changes, and implementation progress, and modelling improvements.

~~11~~12 New Zealand's 2025 Greenhouse Gas Emissions Projections have recently been ~~published~~finalised. Key drivers of change in the 2025 projections compared to 2024 projections include on the upside, increased forestry removals, changes to waste emissions methodology[4], and increased expectations for agricultural mitigation technology uptake over the EB2 period; offset by increased expectations for agricultural livestock numbers and production. Updated estimates of gas reserves in New Zealand also contribute to the upside change, though this situation has also resulted in abatement from the CCUS policy being removed from projections.[5]

~~12 Cabinet recently agreed the NZ ETS cap for the next five years as part of its annual ETS Settings decisions. 2025 projections reflect these decisions and indicate that sectors covered by the ETS are on track or over-performing in relation to the ETS cap – suggesting our market-led and cost-effective approach to reducing emissions is working.~~

13 2025 projections ~~confirm~~ show that ~~we will~~ New Zealand remains on track to meet ~~the first and second emissions budgets (~~EB1 and EB2 ~~respectively)~~, and Government Target 9, with increased surpluses ~~overachievement~~ (or 'buffers') for both EB1 and EB2 compared to 2024 projections (based on the central estimate of projections).

14 New Zealand ~~is on track for~~can meet both the 2050 biogenic methane and 2050 net zero targets but is off-track for EB3 and the 2030 biogenic methane target (based on the central ~~estimates and~~ scenarios of projections, although achieving the 2030 biogenic methane target is within the projected uncertainty range). Cabinet has recently agreed to change the 2050 methane target and retain the 2050 net zero target. These projections are based on the currently legislated target, but we can also meet the revised 2050 methane target.

Part II: Adaptive management assessment for EB2 2026-2030

New Zealand remains on track for EB2

15 ~~As noted in paragraph 13,~~ New Zealand remains on track to meet EB2 with a buffer of 4.5 Mt (an increase from 1.9 Mt in 2024 projections). However, and as to be expected when forecasting five years into the future, there is a reasonable level of

[3] Section 5ZK of the Act
[4] Noting I have work underway to understand how the impact of methodological changes is managed within the Act's fixed emissions budgets.
[5] The Todd group have publicly expressed they do not intend on pursuing Carbon Capture and Storage (CCUS) at Kapuni, citing gas scarcity and the NZ ETS price. As a result, 2025 projections no longer assume abatement from CCUS (an ERP2 policy).

uncertainty in the projected level of total emissions over the EB2 period as ~~. This is~~ reflected by~~in~~ the~~a~~ sensitivity ~~n uncertainty~~ range. ~~-~~ Although the 325.8~~312.9~~ Mt high estimate of the sensitivity range ~~upper end of the uncertainty band~~ sit~~sting substantially~~ above the EB2 limit of 305 Mt ~~(although this is 4.8 Mt lower than had been projected in 2024, and~~ it is just as possible that the low~~er~~ estimate ~~end~~ of the range~~uncertainty band~~ (285.48.1 Mt) is realised~~)~~. The central estimate of 300.5 Mt is judged as the scenario that is most likely to eventuate and is the basis for the adaptive management assessment.

16 Projections also indicate ~~the buffer in achieving~~New Zealand will achieve EB1 ~~is~~ with a buffer of~~now~~ 7.8 Mt, an increase from 5.9 Mt in 2024 projections. Any surplus reductions from EB1 could be counted towards meeting EB2 under the "banking" provisions in the Act.[6] ~~This assessment can be undertaken in 2028 when official data for the end of the EB1 period is available.~~

There are some risks to EB2 that could arise

17 ~~While projections are the primary consideration for determining if New Zealand is on track to meet EB2, a cross-agency assessment of possible risks to EB2 was undertaken, governed by the~~To support the adaptive management assessment, the Climate Change Chief Executives Board convened a cross-agency review of possible risks to EB2.~~.~~ Most were assessed as low likelihood or consequence and do not warrant escalation or further action at this stage~~, with many being managed through existing policy levers.~~.

18 There are some risks that could arise and adversely impact ~~agricultural~~ emissions during the EB2 period, which I suggest Cabinet note. These risks primarily relate to farmer uptake of mitigation technologies potentially being lower than the 1.9 Mt of abatement across the EB2 period that was modelled in the 2025 projections. Uptake is influenced by numerous factors including market demand and support, policy interventions, technology availability, and individual farm business circumstances.

19 This Government is committed to growing the economy while meeting our climate goals. While continued economic growth is positive and necessary, I am mindful that increased production without corresponding efficiency gains can result in increased emissions for sectors outside of the NZ ETS. This is why we are committed to our market and technology-led approach to managing agricultural emissions.

~~19~~20 The NZ ETS remains New Zealand's primary tool for reducing emissions, with any risks within NZ ETS-sectors managed within the NZ ETS cap~~. On 18 August 2025, Cabinet agreed to annual NZ ETS unit setting and price controls adjustments [CAB-MIN-0276].~~ Cabinet recently agreed the NZ ETS cap for the next five years as part of its annual ETS Settings decisions. 2025 projections reflect these decisions and indicate ETS-covered sectors are on track or over-performing in relation to the ETS

[6] Section 5ZF of the Act provides that if ~~the~~ total emissions in an EB period are lower than the relevant EB ~~for that period~~, the excess reduction may be carried forward (or banked) to the next EB period, with the EB for the next EB period increased by the amount carried forward. The Minister must have regard to relevant advice from the Climate Change Commission in its end of EB report, before making a decision in 2028 to bank any excess reduction.

cap - suggesting our market-led and cost-effective approach to reducing emissions is working.

2021 In agreeing to these settings, Cabinet noted the NZ ETS accordance assessment advised that the surplus stockpile of units undermines certainty in the timing of abatement, meaning emissions could exceed EB2. This risk is being actively managed through the 2025 NZ ETS settings- updateprocess, which is ere I am following a consistent policy of drawing down the surplus stockpile by 2030.

2122 9(2)(f)(iv) [redacted]

No adaptive management corrective action or response is required

2223 While these risks are potentially material if they eventuate, I judge they remain these risks are too uncertain to require warrant acting action on now. This, combined with confidence in our ability to meet EB2 from the 2025 projections supports the view that and no corrective action is required this year to ensure New Zealand stays on track to meet EB2. These risks will be reassessed through the 2026 adaptive management process, in light of updated projections in 2026.

Part III: Government Response to the Commission's ERM Report

2324 The Commission's 2025 ERM Report assesses progress towards meeting emissions budgets, the 2050 target, and implementing emissions reduction plans. The proposed Government Response is attached at Appendix 1. The Response to the ERM Report must be published by 15 October 2025, and must:

23.124.1 set out the response to the Commission's ERM Report;

23.224.2 describe the progress made in implementing the current ERP; and

24.3 note any amendments to the current ERP.

Key findings of the ERM Report

24 The ERM Report contains the following key findings:

24.1 The country is making progress on reducing greenhouse gas emissions.

24.2 Emissions are on track for the first budget but will need more work urgently to set up for future reductions.

24.3 Action across a wide range of sectors can strengthen the country's resilience to changing global conditions.

25 The ERM Report also contains one recommendation, being that:

25.1 the Government act ahead of the third emissions reduction plan, to reduce risk for the second emissions budget and get on track for the third budget and 2050 target, by:

25.1.1 strengthening the NZ ETS to ensure it can be effective as a key policy tool for reducing emissions; and

25.1.2 implementing additional targeted policies to complement the NZ ETS, focused on renewable energy, transport and agriculture.

26 Within the detailed assessment, the Commission identifies what it considers to be several important sectoral issues, outlined below:

26.1 The over-reliance on forestry to meet emissions budgets means locking land into permanent forestry, necessitating planting past 2050 to maintain net zero.

26.2 Underinvestment in electricity generation and declining gas supply is driving up costs and creating reliability risks, undermining investment and slowing progress toward doubling renewable energy by 2050.

26.3 A risk of overreliance on agriculture technology to reduce emissions in this sector, given uncertainties around commercialisation of the technology and uptake by farmers.

26.4 A need for the NZ ETS to evolve to remain effective in the late 2030s, as NZ ETS emissions are projected to reach net zero at that time.

High level assessment and response

27 The Commission's key findings and recommendation draw from ERP2 and other data and information up to April 2025. The Government's Response (attached at **Appendix 1**) draws on the more up to date 2025 projections, which incorporate revised assumptions and understanding of policy progress since the 2024 projections. Key differences between these updated projections and 2024 projections are that New Zealand is now on track to meet the 2050 biogenic methane target and the long-lived gas target in 2050, and has larger buffers for EB1 and EB2.

2825 I agree with the Commission's key findings that New Zealand is on track to meet EB1, and EB2 can be met.

2926 The Commission has also highlighted several delivery risks- across ERP2 sectors.; tThe Government's Rresponse outlines how the Government is addressing key to the risks identified by the Commission.

3027 I acknowledge tThe Commission sets out an overarching's recommendation that the Government should act ahead of ERP3 to get on track to meet EB3. This recommendation aligns well with the Government's existing climate strategy, which includes strengthening the NZ ETS and supporting complementary measures such as supporting expansion of renewable electricity generation and supporting the development, commercialisation and adoption of agricultural technology. ERP3 will set out how New Zealand intends to meet EB3. Exploring opportunities ahead of

ERP3 may support policy development and provide useful lead-in time, and I am interested in considering this as part of future planning for ERP3.

3128 However, given that the EB2 period has not yet commenced, I do not consider immediate action necessary at this stage. I am confident that the adaptive management process provides a sufficient framework to manage any emerging risks to EB2.

3229 The NZ ETS remains an important tool in New Zealand's climate strategy, with a number of initiatives underway to strengthen the NZ ETS.[7] NZ ETS policy and settings will need to evolve to reflect changing circumstances and ensure continued impact. 9(2)(f)(iv)

Implementation progress and amendments to the first emissions reduction plan

3330 ~~In addition to responding to the Commission's ERM Report, the Government response must describe progress made in implementing the current emissions reduction plan and note any amendments to that plan.~~ The Government Response outlines the following:

~~33.1~~30.1 The ERP1 amendment was published in December 2024, formally removing 41 actions from the Plan and aligning it with the Climate Strategy.

~~33.2~~30.2 The amended ERP1 continues to be implemented ahead of EB1 and ERP~~2~~1 concluding at the end of this year. As at December 2024, over half of remaining ERP1 actions ~~a~~were expected to achieve their outcomes by the end of 2025, with work established by many of these likely to continue beyond EB1. However, many actions are unlikely to achieve their intended outcomes during the ERP1 period with 19 actions discontinued, 46 actions on hold, 5 actions yet to begin and 15 actions delayed or uncertain. The Response cites the 2025 projections as indicating New Zealand remains on track to meet EB1. ~~Despite these challenges, overall implementation issues are not expected to materially impact on our ability to meet EB1.~~

30.3 While ERP2 formally begins when EB2 commences on 1 January 2026, implementation of nearly all ~~many~~ ERP2 policies is ~~already~~ underway. ~~This reflects the Government's commitment to maintaining momentum and ensuring continuity in emissions reduction efforts.~~

~~Progress on EB1 and EB2 will continue to be monitored through the quarterly reports to the Prime Minister on Target 9.~~

[7] Such as reviewing the NZ ETS settings decision-making frameworks and tools, jointly with the Climate Change Commission; 9(2)(f)(iv) and strengthening market governance through the CCRA amendments.

Part IV: ERP2 amendment to remove agricultural pricing commitment

31 On 22 September, Cabinet agreed to not progress a pricing system for on-farm emissions as part of the 2050 methane target decisions [CAB-25-MIN-0329 refers]. That paper also outlined that the Minister of Agriculture and I:

31.1 intend to engage with industry leaders to maintain momentum and update ERP2 accordingly; and

31.2 will report back to Cabinet in May next year to provide an update on progress towards agricultural emissions reduction.

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34 I have the statutory responsibility under the Act to prepare and amend ERPs. In line with this, and to amend ERP2 by the end of the year, I propose to

- consult on the Government's revised approach to meeting EB2 that reflects the removal of agricultural pricing. Given our intention to engage with industry and report back to Cabinet in May, and that we are still on track for EB2 even accounting for the removal of this policy, I anticipate this public consultation will not focus on firm alternative policies to pricing. Rather, it will be an opportunity to gain useful insights to inform the May report back process
- confirm a short discussion document, in consultation with the Minister of Agriculture, for consultation for 3 weeks commencing mid-October 2025.
- confirm, without returning to Cabinet but in consultation with the Minister of Agriculture, the final amendment to ERP2 for tabling before the end of 2025.

9(2)(h) [redacted]

[redacted]

9(2)(h)

Cost of living implications

~~37~~38 The proposals in this paper do not have any direct cost of living implications.

Financial implications

~~38~~39 The proposals in this paper do not have any direct financial implications.

Legislative implications

3940 The proposals in this paper do not have any direct legislative implications.

Climate Implications of Policy Assessment

4041 No Climate Implications of Policy Assessment is required as no policy changes are recommended.

Population implications

4142 The proposals in this paper do not have any direct population implications.

Human rights

4243 The proposals in this paper do not have any inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Use of external resources

4344 Deloitte was contracted to review the process used to develop adaptive management advice, including its underlying analysis and risk assessment approach.

Consultation

4445 The following agencies were consulted on this Cabinet paper and the Government response to the Commission's report: Ministry for the Environment, Ministry for~~of~~ Primary Industries, Ministry of Business, Innovation & Employment, Ministry of Transport, The Treasury, and Ministry of Foreign Affairs and Trade.

4546 The Department of the Prime Minister and Cabinet has been informed.

Communications

47 The Government Response~~'s response to the Commission's ERM Report~~ (Appendix 1) will be presented to the House of Representatives by 15 October, at which point it will be made publicly available through the Ministry for the Environment's website. I do not intend to issue a press release.

4648 The discussion document on the proposed amendments to~~ed~~ ERP2 to reflect the revised approach to meeting EB2 is planned to be published on the Ministry for the Environment's website for a 3-week public consultation from mid-October to early November. A final amendment to ERP2 is planned for publication on the Ministry for the Environment website by the end of 2025.

Proactive release

4749 I intend to proactively release this paper and associated Cabinet Committee papers and minutes within 30 business days of final decisions being confirmed by Cabinet, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1 **Note** that in December 2024, Cabinet agreed to an adaptive management approach outlined in the second emissions reduction plan (ERP2), including an annual Cabinet ~~decision~~ report back on whether ~~whether further action is needed to keep~~ New Zealand is on track for the second emissions budget or if further action is needed to get back on track [ECO-24-MIN-0243].

2 **Note** the central estimates of the ~~recently released~~ 2025 emissions projections indicate New Zealand remains on track to meet the first and second emissions budgets, and Government Target 9~~the 2050 biogenic methane and 2050 net zero targets, but off track for the third emissions budget and the 2030 biogenic methane target~~.

Adaptive management assessment

3 **Note** the projected surplus for~~overachievement of~~ the second emissions budget and the cross-agency process of assessing risks did not identify any risks that require action this year.

4 **Agree** the 2025 adaptive management assessment is that New Zealand remains on track to achieve the second emissions budget~~,~~ and no ~~corrective~~ further action is required.

Government Response to the Climate Change Commission ERM Report

5 **Note** on 15 July 2025 I received the Climate Change Commission's annual Emissions Reduction Monitoring Report (ERM report) and must respond to this report within 3 months~~, as required under the Climate Change Response Act 2002 (ss5ZJ, 5ZK)~~.

~~6 **Note** the key findings and recommendation of the ERM Report and the assessment and response outlined in this paper.~~

~~7~~6 **Approve** the public-facing Government Response to the ERM Report, attached as Appendix 1.

7 **Agree** that I present the Government Response ~~to the ERM Report~~ to the House of Representatives by 15 October, at which point it will be made publicly available on the Ministry for the Environment's website.

8 **Agree** that I can make minor and technical changes to the Government Response ~~to the ERM Report~~, if required between now and publication.

ERP2 Amendment to remove agricultural pricing commitment

9 **Note** that in light of Cabinet's recent decision to not progress a pricing system for on-farm emissions, the Minister of Climate Change has a statutory duty to amend ERP2 to present an accurate record of our current plan to meet EB2.

10 **Agree** the Minister of Climate Change, in consultation with the Minister of Agriculture, will

10.1 approve a discussion document for public consultation this year on an amendment to ERP2 reflecting this change, and

~~7.1~~10.2 finalise an amendment to ERP2 for publication before EB2 commences in 2026;

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

Appendix 1: Government Response to Commission's Monitoring Report

Report out of scope of the request

Appendix 3: Table of consultation feedback received

You undertook Ministerial consultation and agency consultation in parallel from September 10 to September 23. The following table outlines key feedback and changes made to the Cabinet paper and Government Response. Editorial and formatting changes have also been made in the documents. The tracked versions of these documents provided with this briefing detail the changes made.

Cabinet paper	
Feedback	**Changes**
DPMC suggested some editorial changes for clarity and advised us to shorten the paper and cut out some of the detail. This was also required to keep the paper under 10 pages with the addition of the ERP2 amendment section.	Unnecessary content and repetition was removed throughout the paper.
MFE provided feedback following the finalisation of projections for publication that the central estimate will be published with a high and low estimate derived from a sensitivity analysis rather than an analysis of uncertainty (which will not be published).	The uncertainty range given for EB2 was replaced with the high and low sensitivity analysis values for consistency with the published 2025 projections.
MFE provided some wording changes to ETS related content. 9(2)(g)(i) Other more minor edits (additions and deletions) were suggested to small pieces of text.	The ETS content was edited to make the 9(2)(g)(i) . The suggested additions and deletions were actioned.

Out of scope


Out of scope

Climate
IEB UNIT

Draft discussion document to support consultation on the ERP2 amendment

Date submitted: 13 October 2025
Sub Security level: CLASSIFICATION
Tracking number: BRF-6920
MfE priority: Urgent

Actions sought from Ministers		
Name and position	***Action sought***	***Response by***
To Hon Simon WATTS **Minister of Climate Change**	**Provide** feedback on the draft ERP2 amendment discussion document for consultation **Agree,** in consultation with the Minister of Agriculture, a timing option for the consultation and publication of an ERP2 amendment **Agree** to forward this briefing and attachment to the Minister of Agriculture	Tuesday 14 October 2025

Actions for Minister's office staff

If agreed, forward this briefing to the Minister of Agriculture
Return the signed briefing to the Climate Change Chief Executives Board (board@climateieb.govt.nz).

Appendices and attachments

1. Draft ERP2 amendment discussion document Appendix 1 out of scope

Key contacts at Ministry for the Environment

Position	*Name*	*Cell phone*	*First contact*
Principal Author	Jessie Algar		
Chief Advisor	Amy Tisdall		
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Minister's comments

Draft discussion document to support consultation on the ERP2 amendment

Key messages

1. On 8 October 2025, ECO Committee authorised you, in consultation with the Minister of Agriculture, to consult on amending the second emissions reduction plan (ERP2) to reflect the Government's revised approach to reducing agricultural emissions [ECO-25-Min-0155].

2. This briefing outlines the following options for consultation and publication of an amended ERP2 (subject to the results of consultation):

    - **Option A:** Amending plan in 2025
    - **Option B:** Amending plan first month of 2026
    - i **Option C:** Consultation and publication after May Cabinet report back on targeted industry engagement

~~3.~~ A draft discussion document to support consultation is attached for your, and the Minister of Agriculture's, consideration. It was developed jointly with the Ministry for Primary Industries.

Recommendations

We recommend that you:

a. **provide** officials with feedback by 15 October 2025, on the attached draft discussion document to support public consultation on an amendment to ERP2

b. **agree,** in consultation with the Minister of Agriculture, to an option for the timing of ERP2 amendment consultation and publication (subject to the results of consultation)

    i. **Either Option A:** Consultation from 20 October for publication in 2025

    Yes | No

    ii. **Or Option B:** Consultation from 4 November 2025 for publication in January 2026

    Yes | No

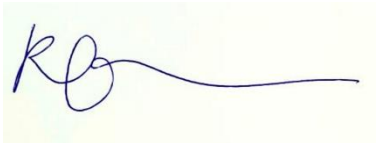
c. **Or Option C**: Consultation after industry engagement and publish in Q3 2026

    Yes | No

d. **agree** to forward this briefing and draft discussion document to the Minister of Agriculture for discussion and feedback

Yes | No

Signatures



Kirsty Flannagan
Executive Director, Climate Change Chief Executives Board

13 October 2025

Hon Simon WATTS
Minister of Climate Change

Date

Draft discussion document to support consultation on the ERP2 amendment

Context

1. You confirmed your intent to consult on amending the second emissions reduction plan (ERP2) to reflect the Government's revised approach to reducing agricultural emissions (BRF-6873). This followed the Cabinet decision to no longer progress with an on-farm emissions pricing system by 2030 and instead pursue a market and technology-led pathway.

2. ECO has authorised you, in consultation with the Minister of Agriculture, to approve a discussion document for public consultation shortly and finalise an amendment to ERP2 for publication as soon as possible [ECO-25-Min-0155].

3. You had previously indicated a preference to finalise the amendment to ERP2 by the end of 2025, ahead of the second emissions budget (EB2) commencing (BRF-6741 refers). A key consideration that informed your decision to have the amendment to ERP2 published by the end of 2025 was your preference to enter the EB2 period with an up-to-date plan.

4. Amending ERP2 requires following the same process as its original development, including undertaking adequate consultation, and it is this process that needs to be followed for this amendment. We note that for future amendments, once Climate Change Response Act 2002 efficiency changes are passed into law, the amendment process will be streamlined and will not require consultation.

5. 9(2)(h) [redacted]

6. In September, you advised Cabinet of your intention to engage with agricultural industry leaders to maintain momentum and to update ERP2 accordingly. You were invited, along with the Minister of Agriculture, to report back to Cabinet in May 2026 to provide an update (CAB-25-MIN-0329 and associated paper).

Consultation timeframe options

7. If publication of the amended ERP2 this year remains your preference (subject to the results of consultation), consultation would need to commence by 20 October 2025 at the latest (**Option A**). This would allow you to consider consultation feedback by 4 December and publish an amendment before 22 December 2025. However, if your preference has changed, there are other options available to you:

	Consultation commencing	Publication
Option A: Amending plan in 2025 • Achieves plan amendment in 2025. • Submissions can inform May 2026 Cabinet report-back on sectoral engagement. • Delaying consultation beyond 20 October would preclude publication of a revised ERP2 in 2025, due to the time required to enable consultation, analyse submissions, and complete drafting. • Requires a shorter consultation to achieve in timeframe.	20 October (3 weeks)	December 2025
Option B: Amending plan first month of 2026 • Achieves plan amendment first month into EB2. • Submissions can inform May 2026 Cabinet report-back on sectoral engagement. • Requires a shorter consultation to achieve in timeframe.	4 November (3 weeks)	January 2026
Option C: Consultation and publication after May Cabinet report back • This option would enable public consultation to reflect outcomes of the May 2026 Cabinet report-back and targeted engagement with the sector (CAB-25-MIN-0329 refers). It also provides more time for further development of potential initiatives that could be included, if desirable. • This option will allow for a 4-week consultation period.	June 2026 (4 weeks)	August 2026

8. As there are choices for when to undertake consultation, coupled with the requirement to report back to Cabinet in May following engagement with the agriculture industry leaders, we recommend you discuss and agree a consultation timeframe with the Minister of Agriculture to ensure aligned and efficient engagement with the sector.

Draft discussion document

9. Attached to this briefing is a draft discussion document for your consideration (**Appendix 1**). We are providing this draft now, for consideration by yourself and the Minister of Agriculture, to inform your decisions about consultation timeframes and, should you wish, to commence consultation under Option A.

10. The discussion document, developed jointly with the Ministry for Primary Industries, outlines a revised approach to reducing agricultural emissions that no longer includes an

on-farm pricing system by 2030. It uses the 2025 emissions projections to demonstrate that, even with this change, EB2 can still be met.

11. 9(2)(h) [redacted]. The attached discussion document is also subject to external formatting and proofing.

Next steps

12. We are seeking your confirmation for the desired timeframe option for consulting on an amendment to ERP2, and your feedback on the draft discussion document.

13. We advise a three-week consultation via an online discussion document is adequate, given the targeted nature of the change and the recent consultation in 2024 on ERP2 as a whole.

14. During the consultation period we propose to offer an online drop-in session with Post-Settlement Governance Entities with whom we have climate or agricultural specific relationship agreements.[1] We are not proposing to host any other consultation sessions for any other group at this time. We will ensure other key stakeholders are aware of the consultation through MfE newsletters, the MfE website, and other channels.

15. In parallel with consultation, officials will undertake a reassessment of relevant Climate Change Commission advice. Results of this reassessment will be provided to you with the outcomes of consultation for your consideration before approving the final amendment to ERP2.

[1] The CCRA specifies that iwi and Māori must be adequately consulted on an ERP; this obligation also applies to any amendments to ERPs (Section 3A(ad)).

CLASSIFICATION

Office of the Minister of Climate Change

Cabinet Economic Policy Committee

2025 adaptative management assessment of progress towards the second emissions budget and Government Response to Climate Change Commission's Emissions Monitoring Report

Proposal

1 This paper seeks agreement to the 2025 adaptive management assessment of progress towards New Zealand's second emissions budget and the Government Response to the Climate Change Commission's 2025 *Monitoring report: Emissions reduction*. In addition, it asks Cabinet to note my intent to amend ERP2 to reflect the recent Cabinet decision to not progress a pricing system for on-farm emissions.

Relation to Government priorities

2 This paper supports the achievement of Government Target 9, which is to be on track to meet New Zealand's 2050 net zero climate change targets, with total net emissions of no more than 290 Mt from 2022 to 2025 and 305 Mt from 2026 to 2030 (corresponding to the first and second emissions budgets). It also supports statutory obligations under the Climate Change Response Act 2002 (the Act) to ensure net emissions do not exceed the relevant emissions budget. The response to the ERM Report is also a statutory obligation under the Act with a statutory deadline of 15 October 2025.

Executive summary

3 New Zealand's second emissions reduction plan (ERP2) includes an adaptive management approach, requiring annual Cabinet report backs on whether New Zealand remains on track to meet its second emissions budget (EB2) and, if necessary, agreement of further actions to get back on track.

4 The recently finalised 2025 emissions projections suggest our market-led and cost-effective approach to reducing emissions is working. New Zealand remains on track to meet its first emissions budget (EB1) and EB2, and Government Target 9, with increased surpluses (or 'buffers') for both EB1 and EB2 compared to 2024 projections.

5 After considering updated emissions projections and reviewing potential risks to EB2, I am confident New Zealand remains on track to meet EB2 and no corrective action is required for this year's adaptive management decision.

6 This paper also seeks approval of the Government Response to the Climate Change Commission's (Commission's) 2025 Emissions Reduction Monitoring (ERM) Report. The Commission found New Zealand is likely to meet EB1 and can meet EB2 but

recommended the Government act ahead of the third emissions reduction plan, to reduce risks to EB2 and get on track for the third emission budget (EB3).

7 In my view, New Zealand's net-based climate strategy is already advancing work in areas aligned with this recommendation and given the EB2 period has not yet commenced, I do not consider immediate action ahead of EB3 necessary at this stage.

8 As part of 2050 target decisions, Cabinet recently agreed not to progress a pricing system for on-farm emissions [CAB-25-MIN-0329 refers]. I remain confident that we remain on track for EB2, but this change requires ERP2 be amended to present an accurate record of our current plan to meet EB2. I propose to publicly consult on the amendment shortly, allowing the amendment to ERP2 to be published as soon as possible.

Background

9 In December 2024, the Government published its second emissions reduction plan, outlining the Government's approach to achieve EB2 [ECO-24-MIN-0243]. ERP2 includes an adaptive management approach, to ensure the Government stays on track to meet EB2.[1] In approving ERP2, Cabinet agreed to annual report backs, as part of the Government Response to the Commission's ERM Report, to:

9.1 confirm whether the Government remains on track to meet the second emissions budget; and, if not

9.2 recommend further actions that might be necessary to get back on track, as outlined in the adaptive management approach for ERP2.

10 The Act requires the Commission to independently monitor and report annually on progress towards the 2050 target and emissions budgets, and implementation of emissions reductions plans. I received the Commission's 2025 ERM Report on 15 July 2025 and must respond to this report within 3 months of receiving it.[2]

Part I: Progress towards meeting emissions budgets and targets

11 Emissions projections out to 2050 are produced annually to give an updated picture of progress towards emissions budgets. Projections can change year on year due to external factors like private sector responses, policy changes, and implementation progress, and modelling improvements.

12 New Zealand's 2025 Greenhouse Gas Emissions Projections have recently been finalised. Key drivers of change in the 2025 projections compared to 2024 projections include on the upside, increased forestry removals, changes to waste emissions methodology[3], and increased expectations for agricultural mitigation technology uptake over the EB2 period; offset by increased expectations for agricultural livestock numbers and production. Updated estimates of gas reserves in New Zealand also

[1] The Act includes a statutory duty on the Minister of Climate Change to ensure net emissions do not exceed the emissions budget for the relevant emissions budget period (section 5X(4)).
[2] Section 5ZK of the Act
[3] Noting I have work underway to understand how the impact of methodological changes is managed within the Act's fixed emissions budgets.

contribute to the upside change, though this situation has also resulted in abatement from the CCUS policy being removed from projections.[4]

13 2025 projections show that New Zealand remains on track to meet EB1 and EB2, and Government Target 9, with increased surpluses (or 'buffers') for both EB1 and EB2 compared to 2024 projections (based on the central estimate of projections).

14 New Zealand can meet both the 2050 biogenic methane and 2050 net zero targets but is off-track for EB3 and the 2030 biogenic methane target (based on the central scenarios of projections, although achieving the 2030 biogenic methane target is within the projected uncertainty range). Cabinet has recently agreed to change the 2050 methane target and retain the 2050 net zero target. These projections are based on the currently legislated target, but we can also meet the revised 2050 methane target.

Part II: Adaptive management assessment for EB2 2026-2030

New Zealand remains on track for EB2

15 New Zealand remains on track to meet EB2 with a buffer of 4.5 Mt (an increase from 1.9 Mt in 2024 projections). However, and as to be expected when forecasting five years into the future, there is a reasonable level of uncertainty in the projected level of total emissions over the EB2 period as reflected by the sensitivity range. Although the 325.8 Mt high estimate of the sensitivity range sits above the EB2 limit of 305 Mt it is just as possible that the low estimate of the range (285.4 Mt) is realised. The central estimate of 300.5 Mt is judged as the scenario that is most likely to eventuate and is the basis for the adaptive management assessment.

16 Projections also indicate New Zealand will achieve EB1 with a buffer of 7.8 Mt, an increase from 5.9 Mt in 2024 projections. Any surplus reductions from EB1 could be counted towards meeting EB2 under the "banking" provisions in the Act.[5]

There are some risks to EB2 that could arise

17 To support the adaptive management assessment, the Climate Change Chief Executives Board convened a cross-agency review of possible risks to EB2. Most were assessed as low likelihood or consequence and do not warrant escalation or further action at this stage.

18 There are some risks that could arise and adversely impact emissions during the EB2 period, which I suggest Cabinet note. These risks primarily relate to farmer uptake of mitigation technologies potentially being lower than the 1.9 Mt of abatement across the EB2 period that was modelled in the 2025 projections. Uptake is influenced by

[4] The Todd group have publicly expressed they do not intend on pursuing Carbon Capture and Storage (CCUS) at Kapuni, citing gas scarcity and the NZ ETS price. As a result, 2025 projections no longer assume abatement from CCUS (an ERP2 policy).

[5] Section 5ZF of the Act provides that if total emissions in an EB period are lower than the relevant EB, the excess reduction may be carried forward (or banked) to the next EB period, with the EB for the next EB period increased by the amount carried forward. The Minister must have regard to relevant advice from the Climate Change Commission in its end of EB report, before making a decision in 2028 to bank any excess reduction.

numerous factors including market demand and support, policy interventions, technology availability, and individual farm business circumstances.

19 This Government is committed to growing the economy while meeting our climate goals. While continued economic growth is positive and necessary, I am mindful that increased production without corresponding efficiency gains can result in increased emissions for sectors outside of the NZ ETS. This is why we are committed to our market and technology-led approach to managing agricultural emissions.

20 The NZ ETS remains New Zealand's primary tool for reducing emissions, with any risks within NZ ETS-sectors managed within the NZ ETS cap. Cabinet recently agreed the NZ ETS cap for the next five years as part of its annual ETS Settings decisions [ECO-25-MIN-0120]. 2025 projections reflect these decisions and indicate ETS-covered sectors are on track or over-performing in relation to the ETS cap - suggesting our market-led and cost-effective approach to reducing emissions is working.

21 In agreeing to these settings, Cabinet noted the NZ ETS accordance assessment advised that the surplus stockpile of units undermines certainty in the timing of abatement, meaning emissions could exceed EB2. This risk is being actively managed through the 2025 NZ ETS settings update, which is following a consistent policy of drawing down the surplus stockpile by 2030.

22 9(2)(f)(iv)

No adaptive management corrective action or response is required

23 I judge these risks are too uncertain to warrant action now. This, combined with confidence in our ability to meet EB2 from the 2025 projections supports the view that no corrective action is required this year to ensure New Zealand stays on track to meet EB2. These risks will be reassessed through the 2026 adaptive management process, in light of updated projections in 2026.

Part III: Government Response to the Commission's ERM Report

24 The proposed Government Response is attached at Appendix 1. The Response must**:**

24.1 set out the response to the Commission's ERM Report;

24.2 describe the progress made in implementing the current ERP; and

24.3 note any amendments to the current ERP.

High level assessment and response

25 I agree with the Commission's key findings that New Zealand is on track to meet EB1, and EB2 can be met.

26 The Commission has highlighted several delivery risks across ERP2 sectors. The Government Response outlines how the Government is addressing key risks identified by the Commission.

27 The Commission sets out an overarching recommendation that the Government should act ahead of the third emissions reduction plan (ERP3) to get on track to meet EB3, the period from 2031 - 2035. This recommendation aligns well with the Government's existing climate strategy, which includes strengthening the NZ ETS and complementary measures such as supporting the development, commercialisation and adoption of agricultural technology. ERP3 will set out how New Zealand intends to meet EB3. Exploring opportunities ahead of ERP3 may support policy development and provide useful lead-in time, and I am interested in considering this as part of future planning for ERP3.

28 However, given that the EB2 period has not yet commenced, I do not consider immediate action necessary at this stage. I am confident that the adaptive management process provides a sufficient framework to manage any emerging risks to EB2.

29 The NZ ETS remains an important tool in New Zealand's climate strategy, with a number of initiatives underway to strengthen the NZ ETS.[6] NZ ETS policy and settings will need to evolve to reflect changing circumstances and ensure continued impact. 9(2)(f)(iv)

Implementation progress and amendments to the first emissions reduction plan

30 The Government Response outlines the following:

30.1 The ERP1 amendment was published in December 2024, formally removing 41 actions from the Plan and aligning it with the Climate Strategy.

30.2 The amended ERP1 continues to be implemented ahead of EB1 and ERP1 concluding at the end of this year. As at December 2024, over half of remaining ERP1 actions were expected to achieve their outcomes by the end of 2025, with work established by many of these likely to continue beyond EB1. However, many actions are unlikely to achieve their intended outcomes during the ERP1 period with 19 actions discontinued, 46 actions on hold, 5 actions yet to begin and 15 actions delayed or uncertain. The Response cites the 2025 projections as indicating New Zealand remains on track to meet EB1.

30.3 While ERP2 formally begins when EB2 commences on 1 January 2026, implementation of nearly all ERP2 policies is underway.

[6] Such as reviewing the NZ ETS settings decision-making frameworks and tools, jointly with the Climate Change Commission; 9(2)(f)(iv) and strengthening market governance through the CCRA amendments.

Part IV: ERP2 amendment to remove agricultural pricing commitment

31 On 22 September, Cabinet agreed to not progress a pricing system for on-farm emissions as part of the 2050 methane target decisions [CAB-25-MIN-0329 refers]. That paper also outlined that the Minister of Agriculture and I:

31.1 intend to engage with industry leaders to maintain momentum and update ERP2 accordingly; and

31.2 will report back to Cabinet in May next year to provide an update on progress towards agricultural emissions reduction.

32 I am confident that this change will not impact on our ability to meet EB2, noting that in ERP2 agricultural pricing was expected to contribute abatement primarily in EB3. In its place we intend to support and leverage growing industry, market, and technology-led activity to enable farms to accelerate the uptake of new technology to reduce methane, without adding significant costs to production.

33 The Act provides a mechanism for amending emissions reduction plans to maintain their currency and requires public consultation on amendments unless the amendment is minor or technical. I propose to undertake consultation on the removal of the agricultural pricing policy from ERP2 shortly, so an amendment to ERP2 can be published as quickly as possible.

34 I have the statutory responsibility under the Act to prepare and amend ERPs. In line with this, and to amend ERP2 as quickly as possible, I propose to

- consult on the Government's revised approach to meeting EB2 that reflects the removal of agricultural pricing. Given our intention to engage with industry and report back to Cabinet in May, and that we are still on track for EB2 even accounting for the removal of this policy, I anticipate this public consultation will not focus on firm alternative policies to pricing. Rather, it will be an opportunity to gain useful insights to inform the May report back process.
- confirm a short discussion document, in consultation with the Minister of Agriculture, for consultation for 3 weeks.
- confirm, without returning to Cabinet but in consultation with the Minister of Agriculture, the final amendment to ERP2 for tabling.

9(2)(h)

9(2)(h)

Cost of living implications

38 The proposals in this paper do not have any direct cost of living implications.

Financial implications

39 The proposals in this paper do not have any direct financial implications.

Legislative implications

40 The proposals in this paper do not have any direct legislative implications.

Climate Implications of Policy Assessment

41 No Climate Implications of Policy Assessment is required as no policy changes are recommended.

Population implications

42 The proposals in this paper do not have any direct population implications.

Human rights

43 The proposals in this paper do not have any inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Use of external resources

44 Deloitte was contracted to review the process used to develop adaptive management advice, including its underlying analysis and risk assessment approach.

Consultation

45 The following agencies were consulted on this Cabinet paper and the Government response to the Commission's report: Ministry for the Environment, Ministry for Primary Industries, Ministry of Business, Innovation & Employment, Ministry of Transport, The Treasury, and Ministry of Foreign Affairs and Trade.

46 The Department of the Prime Minister and Cabinet has been informed.

Communications

47 The Government Response (Appendix 1) will be presented to the House of Representatives by 15 October, at which point it will be made publicly available through the Ministry for the Environment's website. I do not intend to issue a press release.

48 The discussion document on the proposed amendments to ERP2 to reflect the revised approach to meeting EB2 is planned to be published on the Ministry for the Environment's website for a 3-week public consultation. A final amendment to ERP2 is planned for publication on the Ministry for the Environment website.

Proactive release

49 I intend to proactively release this paper and associated Cabinet Committee papers and minutes within 30 business days of final decisions being confirmed by Cabinet, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Climate Change recommends that the Committee:

1 **Note** that in December 2024, Cabinet agreed to an adaptive management approach outlined in the second emissions reduction plan (ERP2), including an annual Cabinet report back on whether New Zealand is on track for the second emissions budget or if further action is needed to get back on track [ECO-24-MIN-0243].

2 **Note** the central estimates of the 2025 emissions projections indicate New Zealand remains on track to meet the first and second emissions budgets, and Government Target 9.

Adaptive management assessment

3 **Note** the projected surplus for the second emissions budget and the cross-agency process of assessing risks did not identify any risks that require action this year.

4 **Agree** the 2025 adaptive management assessment is that New Zealand remains on track to achieve the second emissions budget and no further action is required.

Government Response to the Climate Change Commission ERM Report

5 **Note** on 15 July 2025 I received the Climate Change Commission's annual Emissions Reduction Monitoring Report (ERM report) and must respond to this report within 3 months.

6 **Approve** the public-facing Government Response to the ERM Report, attached as Appendix 1.

7 **Agree** that I present the Government Response to the House of Representatives by 15 October, at which point it will be made publicly available on the Ministry for the Environment's website.

8 **Agree** that I can make minor and technical changes to the Government Response, if required between now and publication.

ERP2 Amendment to remove agricultural pricing commitment

9 **Note** that in light of Cabinet's recent decision to not progress a pricing system for on-farm emissions, the Minister of Climate Change has a statutory duty to amend ERP2 to present an accurate record of our current plan to meet EB2.

10 **Agree** the Minister of Climate Change, in consultation with the Minister of Agriculture, will

10.1 approve a discussion document for public consultation shortly on an amendment to ERP2 reflecting this change, and

10.2 finalise an amendment to ERP2 for publication as soon as possible.

Authorised for lodgement

Hon Simon Watts

Minister of Climate Change

CLASSIFICATION

Office of the Minister of Agriculture

Office of the Minister of Climate Change

[TBC - Cabinet]

Resetting the 2050 domestic climate change emissions target

Proposal

1 This paper seeks agreement to reset New Zealand's 2050 domestic emissions target in the Climate Change Response Act 2002 (CCRA).

Relation to government priorities

2 Our proposal relates to:

- the Government's Target 9 to reduce net greenhouse gas emissions
- the National – ACT Party coalition agreement to review the biogenic methane science and target for consistency with the principle of no additional warming.

Executive Summary

3 The 2050 emissions target (the 2050 target) sets the level of domestic efforts to reduce emissions from greenhouse gases. It signals the long-term direction of climate change policy, providing certainty for the economy and investment. Currently the target is to:

- Reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050; and
- Reduce emissions of biogenic methane to 24-47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.

4 This Government established an independent panel to undertake a review of the methane science and target, published in December 2024 (Methane Review). The Climate Change Commission (the Commission) also reviewed the 2050 target and provided Government its report in November 2024. We have considered these reports and officials' advice.

5 We propose to reset the biogenic methane component of the 2050 target to 14-24% below 2017 levels by 2050. Other aspects of our target would remain as they are now.

6 Our view is that the current methane target is not fit for purpose. Achieving the upper end of the current range risks exacerbating land use change and reducing production, even with adoption of the current pipeline of emissions

reducing technologies. It is likely to require policies that would have a significant economic cost on the agriculture sector.

7 In proposing a reset of the target we are still maintaining our commitment to both a split gas approach and reducing gross methane emissions, and are contributing to our climate change commitments. In addition, the upper end of the range meets the criteria of no additional warming under all background global temperature scenarios – including a 1.5°C scenario – modelled in the Methane Review.

8 We also propose to replace our commitment to a pricing system for on-farm emissions with a market-led approach. Pricing is not the only way to reduce emissions, and we have seen over the recent period a range of market-led schemes that support ~~our farmers~~ the sector to adopt new methods and technologies. We want to leverage, rather than displace ~~private sector~~industry action.

Commented [SG1]: Stylistic request from MCC

9 To keep on track to 2050 and to ensure the target remains fit for purpose, we will legislate a review to occur in [2040]. This milestone date will also allow us to reconsider whether agricultural emissions pricing is needed as an additional intervention alongside market-led activity to reach 2050.

10 We will announce this policy change shortly and the legislative amendments necessary will be progressed through [TBC].

Background

11 In 2019, the Government set an emissions reduction target (2050 target) for New Zealand to:

- reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050
- reduce emissions of biogenic methane to 24–47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.

12 The 2050 target takes a split-gas approach, recognising that biogenic methane is a "short-lived" gas and has a different warming impact to other long-lived greenhouse gases, such as carbon dioxide.[1,2]

13 The 2050 target is an important aspect of New Zealand's climate change policy framework. It drives decisions about emissions budgets and plans, emissions trading scheme (ETS) settings, and influences investment decisions in the wider economy. It is separate from but supports

[1] The current biogenic methane target range was drawn from the Intergovernmental Panel of Climate Change special report on limiting warming to 1.5 °C from 2018 and reflects the central range of likely global biogenic methane reductions in modelled pathways that are consistent with 1.5 °C.
[2] Under the CCRA, the biogenic methane emissions that fall within scope of our target are limited to those from the agriculture and waste sectors (representing 91.4 and 8.6% of biogenic methane emissions, respectively).

implementation of international targets under the Paris Agreement, which has a goal of limiting temperature increase to 1.5°c above pre-industrial levels.

14 We are making headway in reducing emissions. New Zealand's Greenhouse Gas Inventory shows that emissions from both long-lived gases[3] and biogenic methane are reducing[4], with 2023 levels of biogenic methane emissions 4.1% below 2017 levels, marking clear progress towards these targets.

The Methane Panel and the Climate Change Commission have provided advice on the 2050 target

15 This Government established an independent panel to undertake a review of the methane science and target, published in December 2024. The Commission also reviewed the 2050 target and provided Government its report in November 2024.

16 The Methane Review focused on what was required to stabilize the warming impact of biogenic methane emissions at 2017 levels, i.e. "no additional warming" from this base year. It found:

- a 24% reduction in biogenic methane emissions below 2017 levels would achieve "no additional warming" under all background global temperature scenarios that were modelled, including a scenario in which global temperature increase is limited to 1.5°C
- a 14-15% reduction in biogenic methane emissions below 2017 levels would achieve "no additional warming" under global mid-range (2.0°-2.7°C) and high temperature increase scenarios (temperature increase well over 2.0°C, and as high as approximately 4.5°C)

17 The Methane Review was not asked to recommend a new biogenic methane emissions target, but these results have informed the options considered by Ministers through subsequent work[5].

18 The Commission was required to review New Zealand's 2050 target and it provided its report in November 2024. The review covered the target as a whole, and recommended increasing the level of emissions reductions required by both components of the 2050 target (see **Appendix 3**). This was in response to its finding that changes in the scientific understanding of climate change point to the need for all countries to take additional action to reduce emissions, among other things.

19 The Government must respond to the Commission's advice on the 2050 target by 21 November 2025. The Minister of Climate Change will develop this response in a way that aligns with the proposals in this paper.

[3] We use the term "long-lived" gases to refer to all greenhouse gas emissions excluding biogenic methane (i.e., the net-zero component of the 2050 target), noting this does include some short-lived GHGs such as fossil methane.
[4] Between 2022 and 2023, gross emissions fell by 2% and net emissions fell by 4%.
[5] Ministry for the Environment, Methane Science and Target Review – Terms of Reference, June 2024

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20 The Commission also recommended including emissions from international aviation and shipping in our 2050 target. International processes addressing these emissions are currently progressing and officials are undertaking further analysis of these matters. I, the Minister of Climate Change, therefore propose to defer consideration of these matters until later in the year.

Analysis

21 The 2050 target sets the level of domestic efforts to reduce greenhouse gas emissions. We have considered a range of 2050 target options informed by the Methane Review, the Commission's advice, and advice from officials (see **Appendices 2** and **4**). Options were assessed using the following criteria:

- Alignment with the Government's "Going for Growth" economic agenda (including economic impacts and international competitiveness)
- Contribution to limiting warming (as per the purpose of the CCRA)
- Implementation feasibility (including availability of technology and implications for government policy).

We propose to reset the biogenic methane component of the 2050 target to a range of 14-24%

22 Our view is that the current methane target is not fit for purpose. Achieving the upper end of the current range risks exacerbating land use change and reducing production, even with adoption of the current pipeline of emissions reducing technologies. It is likely to require policies that would have a significant economic cost on the agriculture sector.

23 Our proposed biogenic methane 2050 target of 14-24% is informed by the results of the Methane Review, and maintains a domestic response to climate change that contributes to our climate change commitments. It provides for flexibility, is feasible (it requires reductions ranging from 0.2 to 0.7% per annum from 2030), and will also support growth in the agriculture sector.

24 We propose to legislate a further review of the biogenic methane target and science to occur in [2040] to ensure it remains fit for purpose. [We seek authorisation for the Minister of Agriculture and the Minister of Climate Change to be given delegated authority to finalise further details of this review].

We do not agree with the Commission that the 2050 target should be increased

25 Our proposal to reset the biogenic methane target and maintain the net zero target differs from the Commission's advice. We considered the potential impact of the Commission's proposal on the economy and the climate, as well as the feasibility of the policy mix and the technology required. On balance, we concluded that the Commission's proposal is not desirable at this time, as we do not consider it reflects an appropriate balance between objectives, and we also have concerns about its lack of sector support.

Adopting a market-led and technology-based approach to reducing agricultural emissions

26 As part of our reset, we also propose to replace the Government's commitment to implement an agricultural emissions pricing system with a market-led approach to reducing agricultural emissions. The market is making progress on incentivising the uptake of agricultural emissions reducing technology and practices through schemes such as Fonterra's emissions incentive scheme and Silver Fern Farms' initiatives. We are partnering with the sector, leveraging our over $400m investment in accelerating the development and commercialisation of mitigation technologies, and we have high confidence in the technology pipeline [See **Appendix 1**].

27 Without agricultural emissions pricing, the industry will need to step up its own emissions reduction action. Officials have estimated the industry will need to deliver 10.6 Mt CO2-e of abatement during the period of the third emissions budget (from 2031-2035) to maintain the emissions reduction pathway set by this Government's second emissions reduction plan. This will require a significant scaling-up of current industry-led schemes, as well as a particular focus on driving adoption of the latest mitigation technologies.[6] We, the Ministers of Agriculture and Climate Change intend to engage with industry leaders to secure a plan to achieve this additional effort and report back in March next year.

Other changes to the CCRA

28 Changing the 2050 target gives rise to several transitional and consequential issues that I, the Minister of Climate Change, propose to address as follows.

NZ ETS unit settings process [Note this section is only needed if the law change is made before September]

29 The annual NZ ETS unit and price control settings process is underway, based on the current 2050 target. NZ ETS settings decisions are expected by Cabinet on 11 August, and must be gazetted before the end of September 2025. Changing the 2050 target midway through the NZ ETS settings process risks the accordance of NZ ETS settings with emissions reduction targets, and the need for additional advice from the Commission and re-consultation.

30 I therefore propose including a transitional provision alongside the amendment of the 2050 target to ensure that the 2025 NZ ETS settings process:

- uses the previous 2050 target to inform settings decisions, accordance requirements and any other legal requirements

[6] Officials estimate this level of abatement could be achieved if 85-100% of dairy farmers adopt new mitigation technologies, with potential costs ranging from $212m- $689m over the five-year EB3 period (depending on technology availability). Fonterra has already made a $50m annual funding commitment to 2030.

- will not require additional advice from the Commission in response to the new 2050 target
- will not require re-consultation based on the new 2050 target.

31 The updated 2050 target will apply from the 2026 NZ ETS settings process.

Emissions budgets

32 Under the CCRA, the fourth emissions budget (EB4) for the period 2036 to 2040 must be set by 31 December 2025. Emissions budgets are set in response to advice from the Commission, who provided the Government advice on EB4 (as well as minor revisions to other budgets) in November last year. Given this advice was based on the current 2050 target, it may need to be updated to reflect the target change. I therefore propose the date by which EB4 must be set is extended by 24 months, to [31 December 2027], to allow sufficient time for this process. [To be confirmed by Minister of Climate Change.]

33 [Placeholder for implications if any for the third emissions budget.]

International considerations

34 9(2)(h)

35 9(2)(h)

36 9(2)(h)

9(2)(h)

37 [Placeholder – legal comment/review to come]

Cost-of-living and financial implications

38 Economic modelling shows our proposed target change has a negligible overall economic impact. There are no direct cost-of living impacts from the proposal as the 2050 target relies on subsequent policy decisions in relation to emissions budgets, the emissions trading scheme, and emissions reduction plan policies to achieve change on the ground. The impact on average households of this change is likely to be nil. There are no direct financial implications from this proposal.

39 [Placeholder of any implications for the second Nationally Determined Contribution if required]

Legislative Implications

40 TBC - The proposals in this paper will be require amendment of the CCRA. We propose to progress these amendments through [TBC]

Impact Analysis

Regulatory Impact Statement

41 The Ministry for the Environment and the Ministry for Primary Industries prepared a Regulatory Impact Assessment (RIA) for this proposal (attached in **Appendix 4**). [TBC - A panel with members from the Ministry of Regulations, Ministry for the Environment and Ministry for Primary Industries assessed the RIA and considered that it [meets] the Quality Assurance criteria.]

Climate Implications of Policy Assessment

[to be updated to account for ag pricing change]

Population Implications

42 *Māori and Iwi* - The Māori contribution to the New Zealand economy is around $32 billion, of this the primary industries (agriculture, forestry and fishing)

contributes a total $19 billion.[7] The concentration of collectively held Māori assets in the agriculture and forestry sectors means climate change policies are likely to disproportionately impact Māori. These impacts are both positive and negative, depending on the sector.

43 *Rural Communities* - New Zealand's food and fibre sector is a large component of our economy accounting for 82.5% of goods exported and contributing 12.4% of overall employment[8]. The proposals in this paper are likely to provide clarity for the sector, which in turn may further support farmer and rural community confidence.

Human Rights

44 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external resources

45 The Ministry for the Environment contracted Principal Economics from March 2025 to June 2025 to undertake economic modelling to support analysis of different target options. The cost was $65,000.

Consultation

46 Public consultation was not undertaken for this proposal. There has been previous engagement with the public and iwi/Māori on the Zero Carbon Bill, first and second emissions reduction plans and NZ ETS legislation and the Commission's consultation on its review of the 2050 target.

47 [MFAT was consulted. Other agencies were not consulted on this proposal but have been informed and consulted on policy development, including reviewing the draft RIS].

Communications

48 TBC – We propose to publicly announce the Government's decision on the 2050 target by XX. We are aware of the need to manage the timing and content of any announcement to minimise disruption to this year's ETS setting process.

Proactive Release

49 We propose that this paper is proactively released following final decisions on the 2050 target and subject to the Official Information Act 1982 redactions.

[7] Te Ōhanga Māori - The Māori Economy 2023 Report prepared by Business and Economic Research Limited (BERL) for the Ministry of Business, Innovation and Employment (MBIE)
[8] M These figures account for New Zealand's entire food and fibre sectors including dairy, meat and wool, forestry, horticulture, seafood, arable, processed food and other products. These figures account for New Zealand's entire food and fibre sectors including dairy, meat and wool, forestry, horticulture, seafood, arable, processed food and other products.

Recommendations

The Minister of Agriculture and the Minister of Climate Change recommend that the Committee:

Resetting the biogenic methane component of the 2050 target and policy approach

1 **Note** that the Minister of Climate Change and the Minister of Agriculture have considered a range of options for changes to the 2050 target that are informed by the Climate Change Commission (Commission) advice on the 2050 target and the independent Methane Panel (Methane Panel) on the biogenic methane target

2 **Agree** to reset the biogenic methane component of the 2050 target to reduce emissions of biogenic methane to a range of 14 - 24% below 2017 levels by 2050 and retain other aspects of the current target as they relate to achieving 10% below 2017 levels by 2030

3 [TBC if recc needed from MFAT]

4 **Agree** to replace the Government's commitment to implement a pricing system for on-farm emissions with a market-led approach to agricultural emissions reduction

5 **Agree** that the Minister of Agriculture and the Minister of Climate Change will report back to Cabinet in March 2026 with the details of this industry-led approach to addressing agricultural emissions, following engagement with the sector

6 **Agree** to review the 2050 target in [2040], [with this to be reflected in legislation], and for agricultural emissions pricing to also be reconsidered at this time

7 [**Authorise** the Minister of Agriculture and Minister of Climate Change to make policy decisions related to the design of the review of the 2050 target in [2040]]

8 **[Note** that the Minsters of Agriculture and Climate Change will regularly monitor agricultural emissions reduction progress, including mitigation technology developments and uptake]

Responding to the Commission's recommendation on the 2050 target

9 **Note** that we do not agree with the Commission that the emissions reductions required by New Zealand's 2050 target should be increased

10 **Note** that the Minister of Climate Change will receive further advice on addressing emissions from international aviation and shipping later this year, and will seek Cabinet's agreement if he recommends including international aviation and shipping emissions in our domestic target, or otherwise will respond to the Commission by November 2025 accordingly

11 **Note** that the Minister of Climate Change will develop a response to the Commission on their 2050 review consistent with the proposals in this paper

Consequential and technical changes to the Climate Change Response Act 2002

12 **Agree** to extend the date in the CCRA by which the fourth emissions budget (for the period 2036 to 2040) must be set by 24 months to 31 December 2027 to provide for consideration of the newly reset target [tbc]

13 **Agree** to amend the CCRA to provide a transitional provision to clarify that the Commission does not need to reconsult on its advice on setting of the fourth emissions budget in light of an amendment to the 2050 target [tbc]

14 [Placeholder for any implications for the third emissions budget - tbc]

15 **Agree** to amend the CCRA to provide a transitional provision to ensure the 2025 NZ ETS settings process is not affected by the change to the 2050 target

Process for amending the Climate Change Response Act 2002

16 **Invite** the Minister of Agriculture and Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office to amend the Climate Change Response Act

17 **Agree** that the Bill will be introduced by XXX and enacted by XX...

18 **[TBC** other recommendations depending on legislative process/timing]

19 **Note** the Minister of Climate Change and the Minister of Agriculture intend to publicly announce the Government's decision on the 2050 target XXX

20 **Note** the Regulatory Impact Statement *Clarifying the 2050 domestic climate change emissions target* meets the Quality Assurance criteria.

[Authorised for lodgement - TBC]

Hon Todd McClay	Hon Simon Watts
Minister of Agriculture	Minister of Climate Change

Appendix 1: Mitigation Technology Pipeline

9(2)(b)(ii)

Appendix 2: Options for changes to the 2050 emissions target

The options for changes to the 2050 emission target that were considered were informed by the Climate Change Commission's review of the 2050 target and the Methane Review. The main options were:

- **Option 1:** Status quo would keep the 2050 target the same, which is to reduce emissions of greenhouse gases (other than biogenic methane) to net zero or lower by 2050 and beyond, and to reduce emissions of biogenic methane by 24% to 47% less than 2017 emissions beginning on 2050 and each subsequent year.
- **Option 2:** Reduce the methane target to a 14% reduction from 2017 levels and maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background mid-range global emissions scenario (2.0°C - 2.7°C).
- **Option 3:** Reduce the methane target to a range of 14-24% reduction from 2017 levels and maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a range of 'no additional warming' approaches modelled using background mid-range (2.0°C - 2.7°C) and 1.5°C global emission scenarios. The upper end of this range (24%) is in line with the lower end of the current biogenic methane target.
- **Option 4:** Clarify the current biogenic methane target by removing the upper range (i.e. a 24% reduction from 2017 levels only); maintain the current net zero target for long-lived gases. This option was informed by the Methane Review, reflecting a 'no additional warming' approach that was modelled using a background global emissions scenario that limited temperature increase to 1.5°C. A 24% reduction in biogenic methane emissions is also the lower end of the existing methane target range**. This is officials' preferred option in the regulatory impact analysis.**
- **Option 5:** Clarify the biogenic methane target (24% reduction from 2017 levels), strengthen the target for long-lived gases (to net negative 10Mt CO_2-e by 2050). This option was informed by the Methane Review (as above) and also includes increasing the level of New Zealand's domestic climate contribution for long-lived gases.
- **Option 6:** Increase both the biogenic methane and long-lived gases component of the target as recommended by the Commission (a 35-47% reduction in biogenic methane, net negative 20MtCO_2-e for long-lived gases by 2050). This options was recommended by the Commission in its 2050 target review.

Fundamental changes to the target, such as a move away from the split-gas approach, or removing the target altogether were ruled out of scope. Decisions on international shipping and aviation and further emissions reductions and removals post-2050 have been deferred by the Minister of Climate Change until later this year, when officials have undertaken further analysis and there is more clarity regarding the outcome of international processes.

Appendix 3: Climate Change Commission's findings

The Commission found there had been significant changes that justified increasing the level of New Zealand's domestic response to climate change, including:

- *Scientific understanding***:** The impacts of global warming are greater, in both severity and scale, than was understood by the global science community when the target was set.
- G*lobal action:* Globally we are off track to meet the Paris temperature goals of limiting warming to 1.5°C. This implies that even greater reductions in global emissions are needed in the near and longer terms to limit as much as possible the amount by which the world exceeds 1.5°C, and then to bring the temperature down again.
- *New Zealand's fair share:* Many comparable countries have now set domestic emissions targets that require more emissions reductions than New Zealand's current target
- *Intergenerational equity:* Delaying increased action transfers costs and risks to future generations.

The Commission recommended:

- reaching at least net negative 20 Mt CO_2e by 2050, including emissions from international shipping and aviation (IAS).
- reducing biogenic methane emissions from 2017 levels by at least 35 – 47 % by 2050.
- there are further reductions and removals of greenhouse gases beyond these levels after 1 January 2050.

Appendix 4: Regulatory Impact Statement