Ministry for the Environment
Manatū Mō Te Taiao

PROACTIVE RELEASE COVERSHEET

Minister	Minister of Climate Change	**Portfolio**	Climate Change
Name of package	Proactive release of ERP2 Amendment Briefings	**Date to be published**	12-03-2026

List of documents that have been proactively released		
Date	***Title***	***Author***
2025	Proposed approach to the form of the ERP2 amendment	Climate Change Chief Executives Unit
18 December 2025	Supporting analysis for decision on amending ERP2	Climate Change Chief Executives Unit
2026	Finalisation of ERP2 Amendment and gazette notice	Climate Change Chief Executives Unit

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 Proposed approach to the form of the ERP2 amendment under Section 9(2)(h) of the Official Information Act as it contains legally privileged content.

Some information has been withheld from Supporting analysis for decision on amending ERP2 under Section [9(2)(h) and 9(2)(b)(ii) of the Official Information Act as it contains legally privileged and commercially sensitive content.

Climate
IEB UNIT

BRIEFING

Supporting analysis and advice for decisions on amending the second emissions reduction plan

Date:	18 December 2025	**Priority:**	Routine
Security classification:	In Confidence	**Tracking number:**	25-BRF-00059

	Action sought	**Response by**
Hon Simon WATTS **Minister of Climate Change**	**Agree** to amend ERP2 as attached in Appendix 4 and/or provide feedback	20 January 2026
Hon Todd MCCLAY **Minister of Agriculture**	**Copy** for your information and to support finalisation	N/A

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Kirsty Flannagan	Executive Director	021 042 0264	✓
Amy Tisdall	Chief Advisor		
Jessie Algar	Author		

The following departments/agencies have been consulted
Crown Law Office has been consulted and feedback reflected The Ministry for Primary Industries has been closely consulted and contributed content for this briefing and amendment documents

Minister's office to complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change ☐ Seen
☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn

Minister's Comments

BRIEFING

Supporting analysis and advice for decisions on amending the second emissions reduction plan

Date:	18 December 2025	**Priority:**	Routine
Security classification:	In Confidence	**Tracking number:**	25-BRF-00059

Purpose

- This briefing provides you with analysis and advice to inform your decision on the proposed amendment to the second emissions reduction plan (ERP2). Analysis and advice relate to: ERP2's sufficiency for the second emissions budget (EB2); a summary of submissions from public consultation; and relevant advice from the Climate Change Commission (the Commission). Proposed amendment documents are also attached for your consideration.

Key points

- You recently agreed to publicly consult on an amendment to ERP2 following Cabinet decisions to not progress with an on-farm agricultural pricing mechanism.
- If an amendment to an emissions reduction plan is more than 'minor or technical', the Climate Change Response Act (CCRA) requires the same process to be followed as for creating a plan. This means you will need to be satisfied that the plan is able to meet the relevant emissions budget (sufficiency), that adequate consultation has occurred, and that advice from the Commission has been considered.

Sufficiency against the second emissions budget

- Projections 2025 show that we remain on track for EB2, with a buffer of 3.6 Mt. Although 2025 projections did not specifically model the impact from agricultural pricing, only 0.2 Mt of abatement in the EB2 period was connected to agricultural pricing in 2024 projections. While the sufficiency of the market and technology led approach was queried by most submitters, this is a judgement for you to make based on the analysis.
- While not affecting overall sufficiency, the 3.6 Mt buffer is a change since the 2025 projections were published (when the buffer was projected to be 4.5 Mt). This is because an error in the transport sector data used in 2025, compared to ERP2 projections, has been identified and rectified (specifically relating to the projected proportion of fleet entry that is diesel or petrol).

Adequate consultation, including with iwi/Māori

- Most submitters were not supportive of the revised approach, citing in particular a lack of confidence the tech-led approach could drive the abatement required to meet budgets and targets without additional Government support. Even amongst those supportive of the revised approach, submitters called for additional measures to incentivise abatement

from the sector. Ideas for additional measures, should you consider these necessary or otherwise desirable, are included in this briefing for your consideration (in consultation with the Minister of Agriculture).

- The five iwi/Māori organisations that submitted were against the amendment and called for more support to address the disproportionate impacts faced by land-owning Māori generally, and in relation to the costs of investing in technology. ERP2 continues to include a strategy to recognise and mitigate impacts on Māori, and MPI's initiatives to support Māori primary producers, which we propose are better highlighted in the agriculture chapter, remain in place.

Reconsidering the Commission's advice

- The Government's net-based, tech and market-led approach to reducing emissions diverges from that recommended by the Commission – although the Government has work underway that aligns with Commission recommendations to introduce complementary measures to pricing (for example, the Ministry for Primary Industries' On-Farm Support, etc).

Your decision and next steps

- You need to form a judgement on whether, and how, to amend ERP2, in light of your obligations under the Act regarding sufficiency, adequate consultation, and considering the Commission's advice.
- In light of the analysis outlined above, officials advise that:
    - Based on 2025 projections and the 2025 adaptive management assessment, it remains likely that New Zealand will remain on track to meet EB2 without agricultural emissions pricing or additional policies.
    - Although sufficiency for EB2 is the primary obligation for ERP2, given we are currently off track for the 2030 methane target and the third emissions budget (EB3), you may wish to consider starting new policy work to drive further abatement in the agricultural sector. This may also help increase confidence in the overall approach to reducing agricultural emissions.
    - Even though most submitters were not in favour of the revised approach, we consider that you have adequately consulted.
    - You are not obliged to follow the Commission's advice, but you must consider it.
- We seek your decision – taking account of the above – on whether to amend ERP2 to remove agricultural emissions pricing and, if so, whether to proceed on the basis of the proposed approach as outlined in the discussion document or whether you seek to include additional policies in some way.
- We have attached a draft amended ERP2 to reflect the changes as consulted on, as agreed in BRF-7238, for your review. The draft amendment does not contain any additional policies, although officials can provide further advice on additional options for abatement in the agricultural sector should you and the Minister of Agriculture commission this.

Recommended action

The Climate Change IEB Unit recommends that you:

a) **Note** that under the CCRA, in amending an ERP you must be satisfied that: *Noted*

   a. the ERP sets out policies and strategies for meeting the relevant emissions budget;

   b. adequate consultation has occurred;

   c. you have considered the advice of the Commission for meeting the relevant emissions budget.

b) **Note** that due to an error in the transport sector data used in the 2025 projections, which has been rectified, the buffer to meet EB2 is now 3.6 Mt (compared to an earlier projection of 4.5 Mt). *Noted*

c) **Note** that although there is some uncertainty regarding the abatement likely to occur from the tech and market-led approach to reducing agricultural emissions, based on 2025 projections it remains likely that the amended ERP2 is sufficient to meet EB2, given the currently projected 3.6 Mt buffer. *Noted*

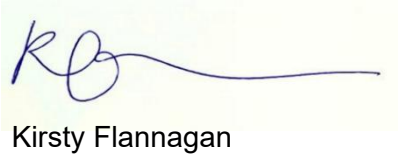
d) **Note** that consultation took place over three weeks in November and 163 submissions were received, including from iwi/Māori groups. *Noted*

e) **Note** that a summary of the Commission's advice and how it relates to this change is provided for you to consider in the briefing. *Noted*

f) **Agree** to amend ERP2, as attached in Appendix 4, noting we will apply any of your feedback before its finalisation for gazettal and publication. *Agree / Disagree*

g) **Refer** this briefing to the Minister of Agriculture. *Agree / Disagree*

h) **Indicate** if you (in consultation with the Minister of Agriculture) wish to receive advice on options to further support agricultural emissions abatement, for example to support meeting the 2030 methane target. *Agree / Disagree*



Kirsty Flannagan
Executive Director, Climate Change
Interdepartmental Executive Board Unit

18 / 12 / 2025

Hon Simon WATTS
Minister of Climate Change

___ / ___/ 2026

Supporting analysis and advice for decisions on amending ERP2

Purpose

1. This briefing provides analysis and advice to inform your decision on the proposed amendment to the second emissions reduction plan (ERP2). Analysis and advice relate to ERP2's sufficiency for the second emissions budget (EB2), a summary of submissions from public consultation, and relevant advice from the Climate Change Commission (the Commission). Proposed amendment documents are also attached for your consideration.

Background

2. In September 2025, the Government agreed to not progress a pricing system for on-farm emissions. Cabinet subsequently authorised you, in consultation with the Minister of Agriculture, to undertake a process to amend ERP2 to reflect this change [ECO-25-MIN-0329 refers]. You consulted on a proposed amendment to ERP2 from 5–26 November 2025 and have expressed a preference to finalise an amendment to ERP2 in January 2026, subject to final decisions.

3. The Climate Change Response Act 2002 (CCRA) provides the ability to, at any time, amend a plan to maintain its currency. If an amendment to an ERP is more than 'minor or technical' the same process must be followed as for preparing a plan. That process requires you to set out how the plan's policies and strategies will meet the relevant emissions budget, consider relevant advice from the Commission, and undertake adequate consultation.

4. This is the second time the ERP amendment provisions in the CCRA have been used. You amended the first ERP in 2024, alongside the production of ERP2.

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

Analysis and advice for amending ERP2

6. This section lays out the analysis and advice for you to consider to support your decision whether to amend ERP2. Underpinning such a decision is a judgement whether the amendment is consistent with CCRA obligations, as outlined above.

7. The analysis focuses on the impact of removing the commitment to introduce an agricultural pricing system by 2030, as part of a revised approach to reducing agricultural emissions, as this is the focus of the proposed amendment to ERP2.

Assessing whether ERP2 remains sufficient to meet EB2

8. A key requirement under the CCRA is that an ERP must set out the policies and strategies for meeting the relevant emissions budget.[1] Emissions projections are a key tool for assessing the sufficiency of an ERP.

Approach to 2025 projections and analysis of removing pricing

9. In the 2025 projections, agricultural sector projections were compiled for the EB2 period. Beyond 2030, the 2025 projections adopt a scenario-based approach to illustrate a range of outcomes possible by 2050. These scenarios were developed by adjusting the long-term assumptions on efficacy and adoption of mitigation technologies, as this is an area of large uncertainty.

10. The 2025 projections did not specifically model the impact of an agricultural emissions pricing system from 2030, as the scenarios did not distinguish between additional Government policy or industry action in terms of their impact on emissions. This advice therefore supplements the 2025 projections with previous modelling of the impact of agricultural emissions pricing on emissions, land use, agricultural production and farm incomes.

11. The projected emissions noted below incorporate revised calculations from the 2025 projections published earlier in the year. This is because an error in the transport sector data used earlier in the year, compared to ERP2 projections, has been identified and rectified (specifically relating to the projected proportion of fleet entry that is diesel or petrol).

Projected emissions for EB2

12. The 2025 projections show New Zealand is on track to meet EB2 and our progress has improved compared to last year. 2025 projections indicate the ‘buffer’ in achieving EB2 is 3.6 Mt, an improvement from the 1.9 Mt buffer that was projected in 2024 when ERP2 was published. However, as projections are inherently uncertain, the uncertainty range for 2025 projections shows the buffer could extend to 18.9 Mt below EB2 or emissions could exceed EB2 by up to 21.7 Mt.

13. There are a range of uncertainties over agricultural emissions outcomes, such as livestock numbers, fertiliser use, climatic events, and particularly mitigation technology availability and uptake.

14. In the 2025 agriculture projections, agricultural processors are assumed to meet their supply chain emission intensity reduction targets by 2030. Both Fonterra[2] and Synlait[3] have set supply chain targets that include agricultural emissions on supplying farms and other sources of emissions, such as historic land-use change and transport

[1] Section 5ZG(1)(a).

[2] Fonterra is targeting a 30% intensity reduction in on-farm emissions by 2030 (from a 2018 baseline).

[3] Synlait has a target to reduce Scope 3 GHG emissions from on-farm purchased goods and services by 30% per kgMS between FY20 and FY28.

emissions. Since these could be met in several different ways,[4] their actual impact on gross agricultural emissions has an element of uncertainty. Some actions that may be taken by these processors will not result in gross reductions in domestic agriculture emissions.

15. The 2025 agriculture projections assume that, by 2030, the actions that Fonterra and Synlait will take to meet their targets will result in an approximate 10% reduction in overall emissions intensity in New Zealand's agriculture inventory reporting. This is represented in the modelling by a 6.5% reduction due to improved animal productivity and a 3.5% reduction due to the adoption of mitigation technology.

16. For the EB2 period, 2025 projections assume that, by 2030, 37% of dairy cattle are vaccinated with a methane vaccine, 12% of dairy farms are using EcoPond and a low level of adoption of other mitigation technologies. The methane vaccine was chosen as the lowest-cost option available in the technology modelling and so was used as a proxy for mitigation action that could be taken by processors to meet their targets (however, these targets could be achieved through a different suite of actions by processors, resulting in different outcomes for domestic gross emissions). In total, 1.9 Mt CO2-e of abatement is assumed from mitigation technologies in the EB2 period.

17. These assumed levels of uptake will be sensitive to the availability of these mitigation technologies (only EcoPond, low methane sheep genetics, and urease inhibitors are currently available) and the effectiveness of programmes that agricultural processors implement to achieve their supply chain emissions reduction targets. By 2030, we expect that there will be more technologies available. As well as those currently available, the 2025 projections assume the following methane mitigation technologies will become available by 2030:

    i. a methane inhibiting vaccine for dairy, beef and sheep;

    ii. a methane inhibiting bolus for beef and dairy cattle;

    iii. low methane dairy genetics; and

    iv. low methane pasture-based mitigation for dairy, beef and sheep.

Projected emissions for the methane targets and EB3

18. The proposed change also impacts on the 2030 and 2050 biogenic methane targets and EB3 (2031–2035). These impacts are outlined below.

2030 methane target

19. The 2030 biogenic methane target requires a 10% reduction from 2017 levels and includes methane emissions from waste as well as agricultural methane. Based on the

[4] For example, Fonterra and Synlait could meet their targets through a combination of the following: animal productivity improvements (which reduce emissions intensity but may increase gross emissions); taking actions to reduce emissions not captured in the agriculture inventory or not in New Zealand's inventory (for example, mitigating domestic transport emissions and upstream international emissions associated with imported purchased goods); carbon removals from on-farm vegetation; historical land-use change accounting; and the adoption of lower emissions farm practices and mitigation technologies.

central projection of the 2025 emissions projections, New Zealand is currently off track from the 2030 methane target, with a projected 7.9% reduction in biogenic methane from 2017 levels by 2030 (this equates to a 0.8 Mt CO_2-e gap). However, the uncertainty range of the projections includes meeting the 2030 target.

20. Achieving the 2030 methane target would require significantly higher levels of mitigation technology uptake, or a reduction in production compared to assumptions underpinning the central 2025 projection.

EB3 and the 2050 methane target

21. As noted above, 2025 agriculture emissions projections are based on scenarios for the post-2030 period (that is, budget periods beyond EB2), to support consideration of different futures. The scenarios can be summarised as:

    - **Scenario A:** a scenario where long-term technology efficacy is based on **current** technology development milestones, and adoption is based on **current** industry ambition (assuming limited increases in ambition after 2030).
    - **Scenario B:** a scenario where long-term technology development progresses at a **similar rate** to current technology development milestones, and incentives to adopt technologies increase at a **similar trajectory** to the current level of industry ambition.
    - **Scenario C:** a lower-bound emissions scenario where long-term technology development progresses at a **greater rate** than current technology development milestones, and incentives to adopt technologies increase at a **greater rate** than the current trajectory of industry ambition.

22. Refer to **Appendix 1** for more detailed assumptions in these scenarios. A baseline was also modelled that includes a baseline level of mitigation technology uptake.

23. 2025 emissions projections[5] indicate that New Zealand is:

    - Under all scenarios, not on track to meet EB3.
    - Under Scenario A, exceeding the EB3 limit by 10.6 Mt; and falling short of the new 2050 methane target.
    - Under Scenario B, exceeding the EB3 limit by 8.7 Mt; and on track to comfortably meet the new 2050 methane target.
    - Under Scenario C, exceeding the EB3 limit by 3.5 Mt; and on track to achieve a level of methane reduction well beyond the new 2050 methane target.
    - Under the baseline (with only existing measures across the economy), exceeding the EB3 limit by 19.2 Mt; and falling significantly short of the lower end of the new 2050 methane target.

[5] Methane reductions include projected impact of waste

Impacts of removing agricultural emissions pricing

24. For reference, based on 2024 projections, emissions reductions from agricultural emissions pricing from 2030 were estimated to be 0.2 Mt in EB2[6] and 10.6 Mt in the EB3 period. In the absence of detailed policy decisions having been made, this assumed an agricultural emissions pricing system that incentivised the uptake of mitigation technology at $70 per tonne CO_2-e but had no impact on land use or agricultural production.

25. No detailed decisions had been made on the form of the pricing system to be established by 2030, or the price level, and the 2025 projections scenarios do not specifically model the impact of an agricultural emissions pricing policy as they do not distinguish between additional Government policy or industry action in terms of their impact on emissions. In light of this, to further support your consideration of removing agricultural pricing from ERP2, we set out below some other modelling of relevance.

26. Earlier modelling of agricultural emissions pricing gives a sense of the impacts of a wider range of potential agricultural emissions pricing systems on emissions, farm incomes, land use, and agricultural production, for example as outlined in Table 1.[7]

27. Table 1 highlights that the design and price level of an agricultural emissions pricing system is crucial – without decisions on the nature of a pricing system, the projections on its impact presented here are only loosely indicative. Some of the policy and price combinations deliver sufficient reductions to meet the 2030 methane target, while others do not. Table 1 also highlights the significant negative impact of this broad range of policy options on farm incomes (represented by aggregate net revenue), agricultural production, and land use.

[6] Agricultural emissions pricing was assumed to begin on 1 January 2030 and only have a small impact on the EB2 period due to it only being in place for 12 months of the five year budget period and the policy's effectiveness being assumed to be low in its first years.

[7] The percentage reductions are relative to a 2030 baseline without agricultural emissions pricing. This modelling is from the previous Government's work on agricultural emissions pricing in 2022, so does not incorporate the latest assumptions about mitigation technologies, such as a 37% uptake rate for a dairy methane vaccine. Incorporating these latest assumptions could impact the results.

Table 1: Policy modelling of a range of agricultural emissions pricing options starting in 2025 – impact in 2030 relative to a no pricing baseline

	Processor NZ ETS	Processor Levy	Farm-level levy CH_4 Price - $ per tonne CO_2e		
			$2.86	$3.93	$5.00
Emission reductions					
All gases	–16%	–9%	–10%	–11%	–12%
Methane	–17%	–9%	–11%	–12%	–14%
Nitrous oxide	–13%	–8%	–6%	–7%	–8%
Commodity production					
Milk solids (t)	–8%	–5%	–5%	–4%	–5%
Lamb (t)	–19%	–9%	–20%	–18%	–20%
Beef (t)	–51%	–44%	+11%	+8%	+10%
Net revenue					
Dairy	–10%	–6%	–6%	–6%	–7%
Sheep & beef	–32%	–17%	–18%	–21%	–24%
Land-use change					
Dairy	–4%	–2%	–2%	–2%	–2%
Sheep & beef	–16%	–7%	–8%	–10%	–12%
Indigenous forest / scrub	+14%	+6%	+9%	+7%	+6%

Summary

28. While uncertain,[8] the estimated impact on EB2 from agricultural emissions pricing was expected to be small and is within the 2025 projections buffer for EB2. In addition, the buffer is larger than the 1.9 Mt of mitigation assumed in the 2025 EB2 projections from agricultural technologies. This means that, all else being equal, if there was less abatement from mitigation technology than currently assumed, the buffer could absorb it.

29. It is also likely that an agricultural emissions pricing system, implemented in 2030, would have supported emissions reductions in the EB3 period and beyond. However, it is not possible to determine the extent to which these reductions would have been 'additional', as the level of ambition of industry emissions reduction efforts beyond 2030 is currently unclear.

30. In summary, while the 2025 projections do not explicitly model the impact of agricultural pricing, when considering the most recently available information on the emissions impacts of a pricing system (that is, ERP2 modelling in 2024 which suggested 0.2 Mt in EB2), we consider it likely that the revised approach to ERP2 remains sufficient to meet EB2.

[8] The design of the pricing system and price level were still undecided, and these decisions would have ultimately driven the level of reduction the pricing system achieved (as well as had other potential impacts, as suggested above). There are also the usual uncertainties associated with projections to bear in mind

Key themes from public consultation

31. Under the Act, you are required to ensure that consultation has been adequate, including with sector representatives, affected communities, and iwi/Māori. You must undertake further consultation as you consider necessary.[9]

32. Consultation ran from 5–26 November 2025, supported by a discussion document published on the Ministry for the Environment website outlining the Government's revised approach to reducing agricultural emissions and the impacts of this. 163 submissions were received from a diverse range of stakeholders. At a high level, 10 submissions (6%) were supportive of the revised approach, and 123 submissions (75%) were against. Nine (6%) submissions were neutral or had mixed views about the revised approach and 21 submissions (13%) were neutral but focused their submissions on advocating for biochar.[10]

33. Relevant themes from consultation are:

    - Most submitters (70%) did not have confidence in the ability of the tech-led approach to meet New Zealand's targets and budgets, citing in particular risks and uncertainty involved with over-reliance on immature technologies.
    - Of those who supported the proposed approach, 8 out of 10 also called for additional Government support to realise its potential. This included Fonterra[11], DairyNZ, and Manawatū District Council.
    - Specific ideas for additional support included further investment in R&D (DairyNZ and Manawatū District Council), increased adoption support (DairyNZ & Fonterra), more advisory and extension services, acceleration of nature-based solutions, mātauranga-centred research initiatives (DairyNZ), and for greater incentives (see below).
    - Agritech providers called for greater incentives for agritech companies and farmers, to drive investment and market certainty, including because of concerns about demand for technologies, such as Ruminant Biotech, Bovotica, and BiomEdit.

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[9] Section 5ZI(1)(b)

[10] Carbon removals such as biochar are currently not included in New Zealand's target accounting, although interest in potentially increasing coverage to include these types of activities has been well signalled by Government as part of the Non-Forest Removals Framework that is being developed (which is referred to in ERP2). 49 submitters advocated for a specific biochar-related action in the ERP2 consultation last year, as noted in BRF-5365.

[11] Note that Fonterra, who were supportive of the approach as outlined in the discussion document, raised limitations of market-led incentives in their submission, "*Delivering enduring value through emissions reduction is inherently challenging, particularly as customer expectations evolve. Increasingly, emissions reduction is viewed by many customers as a baseline "license to operate" rather than a source of ongoing competitive advantage. Other customers are not prioritising emissions reductions in their business plans. As a result, the availability of customer funding to support mitigation efforts is finite and may diminish over time, making it difficult to rely on these incentives as a long-term solution*" and "*A crucial aspect of driving reductions through technology is ensuring support for adoption is prioritised alongside investment in the more fundamental research and development. We recommend the revised approach includes more clarity on the Government's role on this, such as resourcing new initiatives to accelerate early adoption*."

- Submitters (including some who were supportive of the revised approach) questioned and criticised the modelling[12] (e.g. Christina Hood, the Parliamentary Commissioner for the Environment, DairyNZ, LCANZI, and Sustainability Business Network), and some queried the legality of an ERP that does not meet the 2030 methane target.
- Approximately 20% of submitters raised broader concerns about the weakening of New Zealand's climate policy settings, referring in particular to the recently announced CCRA amendments (e.g. Sustainable Business Council and Christina Hood).
- Approximately one quarter of submitters raised concerns with impacts on our international reputation, with some also citing concerns with meeting international commitments.
- Approximately 13% of submissions criticised the lack of opportunity to input into climate policy decisions prior to Cabinet decisions, with some submitters (e.g. LCANZI and Christina Hood) criticising the ERP2 amendment process in line with positions currently under dispute in LCANZI's judicial review against the amendment of ERP1.[13]

34. A more detailed summary of the key themes is provided to you in **Appendix 2**.

Options for addressing concerns about the sufficiency of a technology and market-led approach

35. While most submitters did not support the proposed amendment due to uncertainty regarding whether there would be high enough levels of agritech uptake, as noted above, based on the 2025 projections we consider it remains likely that the amended ERP2 can meet EB2. There is currently a projected buffer of 3.6 Mt that could likely absorb any reduced agricultural abatement from that assumed in 2025 projections if submitters' concerns about agritech uptake were to eventuate.

36. 9(2)(b)(ii)

[12] For example, the PCE noted that "The baseline scenario in the 2025 projections assumes 37% of dairy cattle are vaccinated with a methane vaccine by 2030. As a methane vaccine has not yet been demonstrated to work in a relevant environment, this seems very optimistic – and the WAM only adds to this optimism."

9(2)(h)

9(2)(b)(ii)

Subject to the timing of any announcement, we will add detail on the Accelerator to the amendment document prior to its publication.

37. As noted above, officials' view is that you do not need additional policies for the amended ERP2 to meet EB2. However, in light of the feedback received, you may wish to consider additional policies to incentivise methane abatement. Doing so may further strengthen confidence in meeting EB2, as well as close the gap to EB3 and the 2030 methane target. For example, you could consider:

    a) Regulatory requirements to meet environmental performance standards or adopt new technologies; and/or

    b) Further Government support for uptake of new technologies (for example, financial incentives of some kind); and/or

    c) Further work on voluntary carbon markets (which you are receiving further advice on in early 2026).

38. You have already signalled in the 2025 Government Response to the Commission's Emissions Monitoring Report that you intend to review progress and any opportunities for early action. You can consider this annually during your ERP2 adaptive management assessment, alongside considering any risks to EB2 that may emerge. However, we could provide advice earlier than this if you were interested in options to support meeting the 2030 methane target or other objectives.

Considerations for the ETS

39. A number of submitters, including Christina Hood, raised concerns that it may be necessary to lower the ETS cap in the future to offset additional agricultural emissions. They noted this approach would shift the effort-share from non-covered sectors to covered-sectors in the ETS, with potential distributional impacts.[15]

40. Lowering the cap sooner to account for agricultural emissions would bring forward challenges previously raised by the Commission regarding ETS relevance in the 2030s and beyond, once the cap goes to zero. These concerns have also been noted in advice during the 2025 ETS annual settings process and at the time of the 2025

[15] Note also that in future, agricultural mitigation could end up lower in cost than NZ ETS mitigation.

Government Response to the Commission's Emissions Monitoring Report (BRF-6460 refers).

41. 9(2)(b)(ii) [redacted] The 2026 adaptive management assessment is another juncture at which you can consider options for responses if agricultural emissions were to increase.

Impact on Māori

42. Section 3A(ad) of the CCRA states that an ERP must include "a strategy to recognise and mitigate the impacts on iwi and Māori of reducing emissions and must ensure that iwi and Māori have been adequately consulted on the plan".

43. The consultation on the ERP2 amendment included a specific question asking, "*Noting that agricultural emissions policies may disproportionately impact Māori, what further action could the Government consider to support Māori to reduce agricultural emissions?*" In addition, Post-settlement Governance Entities and yet-to-settle groups were invited to an online drop-in session to discuss the proposed amendment on 13 November.[16]

44. The 2024 ERP2 Māori Impact analysis noted that agricultural emissions pricing disproportionately affects Māori, who are likely to own less productive land and therefore be adversely affected by the costs associated with any agricultural pricing mechanism. This assessment remains accurate and was acknowledged in the ERP2 amendment discussion document.

45. Five iwi/Māori organisations provided submissions on the proposed amendment, all raising concerns with the revised approach. A key concern voiced was the disproportionate impacts on Māori given the systemic barriers Māori face in accessing capital-intensive technologies. Some iwi/Māori submitters opposed advancing the proposed approach altogether, preferring agricultural emissions to be priced on par with other sectors. Others supported the overall intent of the Government's revised approach but opposed removing pricing of agricultural emissions, citing its importance as a market incentive.

46. Common recommendations from iwi/Māori submitters to address impacts on Māori included: co-design of solutions and statutory recognition of iwi environmental plans; capability building for rangatahi and technicians; flagship Māori pilot clusters; targeted, ring-fenced Māori climate funding; and a Te Tiriti-consistent approach and integration of mātauranga Māori. Other submitters acknowledged that there would be impacts to Māori but did not raise any suggestions for mitigating these.

[16] Attendees included representatives from Moriori Imi Settlement Trust, Rangitane o Tamaki nui-a Rua, Te Runanganui o Ngati Porou, and Tuwharetoa mai Kawerau ki te Tai Settlement Trust.

47. We consider that the proposed amended ERP2 continues to meet CCRA requirements. ERP2 continues to include a "Mitigating Impacts with Māori" section and MPI initiatives such as the Māori Agribusiness Climate Programme, extension programme, and MPI's Māori Agribusiness advisors remain in place, aiming to support and build capacity among Māori agribusinesses. In response to the feedback, however, we propose to better signal these existing supports for Māori agribusinesses in the agriculture chapter.

Key findings from the review of previous Climate Change Commission advice

48. Under the Act, you are required to consider the advice received from the Commission for meeting emissions budgets.[17] In parallel with public consultation, we have reviewed advice previously received from the Commission relevant to meeting EB2 and reducing agricultural emissions.[18]

49. A more detailed outline of relevant advice from the Commission and the Government response is in **Appendix 3.** Below is a synthesis of key themes for your consideration in making decisions on the proposed amendment.

Methane reductions critical to meeting future emissions budgets

50. In its original 2021 advice on setting EB1–3, the Commission recommended specific reductions for each gas within the proposed emissions budgets, building on its demonstration path.[19] In this advice, the Commission recommended methane reductions by 2030 were 14% from 2019 levels (12% from 2017 levels); slightly more ambitious than the CCRA's 2030 methane target of a 10% reduction from 2017 levels (and which as noted above, 2025 projections indicate the Government is currently not on track to meet).

51. While emissions budgets are legally set as an all-gas total in CO_2-e terms, the Government initially adopted sector sub-targets in ERP1 to support monitoring of progress. However, ERP2 shifted to a least-cost approach that focused on reducing net emissions in a cost-effective way, and did not specify sector sub-targets. As we understand it, you do not intend to depart from this approach at this time. However, if appropriate, future adaptive management assessments could provide opportunities to reconsider whether to require specific sector or gas reductions to help maintain levels of effort across the economy. While it remains likely that the amended ERP2 will meet EB2 – being the sufficiency obligation under the CCRA – we note that taking additional

[17] Section 5ZI(1)(a).

[18] These are: Ināia tonu nei: a low emissions future for Aotearoa (2021), ERP2 Advice (2023), Monitoring Report: Emissions reduction (2024 and 2025).

[19] The Commission's demonstration path (which sets out a possible pathway through to 2050) has been updated several times since 2021 due to updated information and trends, changes to assumptions due to new evidence, updates to the Greenhouse Gas Inventory and updated Government projections. The most recent iteration of the Commission's demonstration path was published in 2024 as part of its advice on EB4, and was also used in their 2025 emissions reduction monitoring report. The EB4 demonstration pathway assumes biogenic methane emissions are reduced by 12% from 2017 levels by 2030 – similar to the relative reduction recommended in their 2021 demonstration path – but would see biogenic methane reduce at a faster rate post 2030 to achieve a 38% reduction from 2017 levels by 2050.

action towards meeting the 2030 methane target would improve alignment with the Commission's emissions budget recommendations relating to methane reductions.

Support from the Commission for an agricultural pricing mechanism

52. The Commission has emphasised the role of pricing in driving agricultural emissions reductions and maintaining policy certainty and market confidence. MfE and MPI have provided you similar advice [BRF-5983 and BRF-0329 refer], including that unless market-led action scales up or very low-cost mitigations emerge, closing the 2030 methane target abatement gap is unlikely without a mechanism of some kind to drive uptake of mitigation technology.

53. The Commission's recommendations about proceeding with pricing are inconsistent with this Government's tech and market-led climate strategy, and the decision to not progress agricultural emissions pricing.

Support for complementary measures, to help farmers adopt lower-emissions practices

54. The Commission also called for complementary policies in addition to agricultural emissions pricing, to support farmers to reduce their emissions.

55. We note that you are already taking action that is aligned with this recommendation and which you may consider sufficient. For example, as part of your technology and market-led approach, and as outlined in ERP2's agriculture chapter, there is already work underway to:

    - get tools to farmers and growers faster, by investing more than $400 million over four years in research, development and commercialisation of mitigation tools;
    - have effective regulatory frameworks for new tools, to help technology come to market faster;
    - estimate on-farm emissions more consistently across the country, including the adoption of mitigation technology; and
    - support changes in practice on-farm (such as adoption), through Māori agribusiness initiatives and MPI's On Farm Support programme.

Overall assessment

56. In light of the analysis outlined above, officials advise that:

    - even though most submitters were not in favour of the revised approach, we consider you have adequately consulted;
    - the Commission has previously recommended an agricultural pricing mechanism along with complementary measures. The Government's net-based, tech and market-led approach to reducing emissions diverges from that recommended by the Commission, although, the Government has work underway as part of a tech and market-led approach that aligns with Commission recommendations to introduce complementary measures. You are not obliged to follow the Commission's advice, but you must consider it.

Assessment for EB2

- While submitters raised concerns with the ability of the revised approach to meet New Zealand's targets and budgets, officials advise that based on 2025 projections, it remains likely that EB2 will be met even accounting for the revised approach to reducing agriculture emissions, and without taking any additional action.

- The adaptive management advice from earlier this year noted the risk that farmer uptake of mitigation technologies may not be as high as modelled in the 2025 projections, and increased production without corresponding efficiency gains could result in increased emissions. Cabinet agreed that this risk be monitored through the adaptive management process in the second half of 2026, which gives you the ability to recommend further measures if agricultural emissions create risks for EB2.

2030 target and future budget considerations

- Officials' assessment, including in light of reconsidering the Commission's advice, is that without additional Government intervention, the tech and market-led approach carries risks to the 2030 methane target, which New Zealand is currently off-track for. The level of methane abatement seen will be driven by the ambition of the market. To help mitigate risks to the 2030 methane target, you could commission (in consultation with the Minister of Agriculture) additional advice on options to reduce agricultural sector emissions.

9(2)(h)

Next steps

60. We seek your decision – taking account of the above - on whether to amend ERP2 to remove agricultural emissions pricing and, if so, whether to proceed on the basis of the proposed approach as outlined in the discussion document or whether you seek to include additional policies.

61. We have attached a draft amended ERP2 in Appendix 4 to reflect the changes as consulted on for your review. This follows the form of amendment as proposed in BRF-7238 – namely, updates to ERP2 and the technical annex, and a new addendum setting out how the amended ERP2 meets EB2. The amendment does not contain any additional policies, although these can be added should you and relevant Ministers make policy decisions to do so.

62. We understand your office is aiming to publish an amendment in the week commencing 26 January. In order to do so, you need to make your decision on the ERP2 amendment by 20 January, in consultation with the Minister of Agriculture. Once we have your decision, we will provide you with the gazettal notice and final amendment for approval on 22 January.

63. If you require more time for your decision or consultation with the Minister of Agriculture, we can work with your office to reschedule the timing of the release/announcement of the amended ERP, taking into consideration external factors such as the timing of other announcements and public holidays.

Appendices

Appendix 1: Agriculture projections scenarios

Appendix 2: Results on consultation on the proposed approach for agricultural emissions in ERP2

Appendix 3: Summary of analysis of the Commission's previous advice

Appendix 4: Proposed amendment documentation: Revised ERP2 and addendum

Appendix 1: Agriculture projections scenarios

1. The 2025 projections adopt a scenario-based approach to agricultural emissions projections beyond 2030, to illustrate the range of outcomes possible by 2050. They have been developed by adjusting the long-term assumptions on efficacy and adoption of mitigation technologies as this is a large area of uncertainty, but also likely to be a strong driver of emissions reductions in the long-term.

2. The approach to agriculture projections in previous years was limited by only taking into account what was "known" at the time. The new scenarios look at different plausible efficacy improvement and adoption pathways for mitigation technology and, in doing so, capture both upside and downside risk associated with the long-term impact of mitigation technologies. These scenarios can be summarised as:

    a) **Scenario A:** a scenario where long-term technology efficacy is based on **current** technology development milestones, and adoption is based on **current** industry ambition (assuming little to no increase in ambition after 2030).

    b) **Scenario B:** a scenario where long-term technology development **progresses at a similar rate** to current technology development milestones, and incentives to adopt technologies **increases in a similar trajectory** to the current level of industry ambition.

    c) **Scenario C:** a lower-bound emissions scenario where long-term technology development **progresses at a greater rate** than current technology development milestones, and incentives to adopt technologies **increase at a greater rate** to the current trajectory of industry ambition.

3. A baseline was also modelled that includes a baseline level of mitigation technology uptake associated with dairy processors meeting their existing scope 3 emissions intensity targets, and voluntary adoption by farmers.

4. In the long-term, there are large uncertainties, and potential upside and downside risk – both in how non-technology-based factors develop (e.g. agriculture production and commodity price scenarios), and how the efficacy and adoption of mitigation technologies continue to change.

5. These scenarios do not distinguish between additional Government policy and additional industry action in terms of their impact on emissions, and do not reflect the impact of removing agricultural emissions pricing.

6. For the avoidance of doubt, the scenarios are not predictions of what abatement will occur. Rather, as referenced in paragraph 72, the scenarios look at different plausible efficacy improvement and adoption pathways for mitigation technology and, in doing so, provide insights about what abatement could be expected under different conditions (including if additional actions are taken by industry and/or Government in the long-term).

7. The projections out to 2030 indicate the likely short-term emissions pathway for agriculture, under the assumption that processors meet their existing scope 3 targets.

Assumptions

8. In developing our projections, we make assumptions about future agriculture activity. Two of the most important factors are future stock populations and productivity (e.g. milk yield and meat production/animal weights).

9. Over the short term (2025–2029), we have used forecast figures for stock populations and agriculture production from the Ministry for Primary Industries' (MPI) Situation and Outlook for Primary Industries June 2025. These forecasts are developed based on projected commodity prices, sector-specific insights, and other economic factors.

10. In the longer-term (2030–2050), we have assumed dairy animal numbers do not change, and we have extrapolated a continued decrease in sheep and beef animals. We combined this with several productivity assumptions20 extrapolated from current and forecast trends. Examples of some of the key assumptions are below:

    - 1.0% annual increase in milk yield (litres) per cow;
    - 0.14% annual increase in beef steer carcass weight;
    - 0.55% annual increase in beef heifer carcass weight;
    - 0.56% annual increase in lamb carcass weight; and
    - 0.40% average annual increase in lambing percentage

11. These assumptions drive the long-term emissions projections and, therefore, the level of emissions that will need to be reduced by the adoption of mitigation technologies (or other actions) to meet long-term targets. These assumptions are the same across all three scenarios and the baseline.

12. Under the baseline scenario and scenario A, we have projected mitigation technology uptake using a technology diffusion model developed by the Commonwealth Scientific and Industrial Research Organisation, based on what we know about current technologies in development[21]. We have augmented this where we have strong signals regarding additional mitigation. For example, we have included additional technology uptake that will contribute to Fonterra and Synlait meeting their Scope 3 emissions intensity targets (as a proxy for a range of potential mitigation actions).

13. For scenario B and scenario C, we applied assumptions based on the possible long-term adoption and efficacy of an enteric fermentation methane inhibitor. This represents the potential combined effect of several possible combinations of technologies (and potential increases in their efficacy and adoption over time). To develop the full time series for scenario B and scenario C, we have linearly extrapolated between the final 2050 emissions estimate and the 2030 estimate (which remains the same across Scenario A, B and C). See **table one** and **table two** below.

[20] Note that increases in productivity generally will result in a reduction in emissions intensity per unit of product, but holding all else equal, will result in an increase in New Zealand's total reported emissions (for example, more milk production means more associated emissions).

[21] Input assumption data for each technology has been gathered by the Ag Emissions Centre.

Table One: Methane inhibitor efficacy assumptions across scenarios

Species	Assumption in 2050			
	Baseline	Scenario A	Scenario B	Scenario C
Dairy and beef cattle efficacy	10 and 30% efficacy vaccine, 70% efficacy bolus[22]		50% efficacy inhibitor	70% efficacy inhibitor
Sheep efficacy	10 and 30% efficacy vaccine			50% efficacy inhibitor

Table Two: Methane inhibitor adoption assumptions across scenarios

Species	Assumption in 2050			
	Baseline	Scenario A	Scenario B	Scenario C
Dairy total adoption	37%	37%[23]	70%	95%
Beef total adoption	4%	10%	15%	30%
Sheep total adoption			10%	20%

14. In 2050, scenarios A, B and C also include the following other methane mitigation technologies (as well as the above adoption of an enteric methane inhibitor):

    - 33 percent adoption of EcoPond for dairy manure management;
    - 24 percent adoption of pasture-based mitigation for dairy and 9 percent for sheep and beef; and
    - 16 percent of low-methane genetics for both cattle and sheep.

15. In 2050, the baseline scenarios also includes (as well as the above adoption of an enteric methane inhibitor):

    - 15 percent adoption of EcoPond;
    - 9 percent adoption of pasture-based mitigation for dairy, sheep and beef; and
    - 6 percent of low-methane genetics for both dairy, and 2 percent for sheep.

16. in 2030, all scenarios (including the baseline) include the following level of methane mitigation technologies:

    - 37 percent adoption of a methane vaccine for dairy;

[22] The bolus is assumed to be active for 100 days in a year for beef cattle and 200 days a year for dairy cattle.

[23] This 37% adoption is made up of more effective technologies in the WAM A compared to WEM.

- 12 percent of adoption of EcoPond;
- A small low level of adoption of other available technologies.

17. Under the baseline scenario, biogenic methane emissions (including waste) compared to 2017 reduce:
    - 6.7 percent by 2030; and
    - 4.3 percent by 2050 (as productivity increases result in more production, resulting in more emissions, while additional baseline technology uptake is not sufficient to offset this).

Appendix 2: Results on consultation on the proposed approach for agricultural emissions in ERP2

1. Public consultation on the proposed approach occurred from 5 to 26 November 2025. Relying on the 2025 emissions projections, the consultation outlined "We are confident that the policies and strategies in ERP2, including our revised policy for reducing agricultural emissions, will meet EB2."

2. The four consultation questions included were:

   i. What, if any, other impacts or consequences of the revised approach to reducing agricultural emissions should the Government be aware of?

   ii. What actions could the Government consider taking to further support a market- and technology-led approach to reducing agricultural emissions?

   iii. Noting that agricultural emissions policies may disproportionately impact Māori, what further action could the Government consider to support Māori to reduce agricultural emissions?

   iv. What are your views on ERP2 with the revised approach to reducing agricultural emissions?

3. We received 163 submissions from a range of interested groups.

Key findings

4. A breakdown of the key themes from submissions is provided in the table below.

Key theme	Detail
Sentiment	
Submitters were unsupportive of the technology-led approach's ability to meet our budgets and targets	75% [123] of submitters were against the revised approach, with 70% [114] voicing concerns about the significant risks and uncertainty involved with an over-reliance on technologies viewed to be unproven and immature. Submitters did not believe this approach will reduce emissions at the necessary scale or speed. The revised approach was viewed as backtracking and disproportionate to the action required to reduce agricultural emissions. Those against, including the Parliamentary Commissioner for the Environment, LCANZI and Christina Hood, were concerned that the amendment will not meet EB2, EB3 and the 2030 methane target. Submitters urged for more ambitious action and that on-farm emissions be priced.

Agriculture sector group submitters were supportive of the revised approach but called for additional support.	6% [10] of submitters were supportive of the market and technology-led approach, most of which were from agriculture sector groups (including DairyNZ and Federated Farmers) or the ag-tech sector. However, concerns were raised by many of these submitters about optimistic assumptions of technology uptake, and some also mentioned risks of over-reliance on methane-specific tools, and imbalance with nature-based solutions.
Some submitters were neutral to the revised approach but advocated for biochar adoption in ERP2.	13% [21] of submitters were ambivalent to the revised approach; however, they advocated for the inclusion of Biochar in ERP2. They suggested there needs to a balance between technological and nature-based pathways and recommended that nature-based mitigation tools, such as Biochar, grazing management, breeding strategies, and pasture systems, be explicitly listed in the ERP2 amendment.
Impacts of the revised approach	
Concern that the ERP2 amendment will fail to meet domestic and international obligations.	Submitters expressed strong concern about potential failure to meet domestic and international obligations. Submitters like The Parliamentary Commissioner and LCANZ warn that New Zealand is projected to reduce biogenic methane emissions by only 7.9% by 2030, short of the 2030 methane target of 10% reductions. They submitted that policies that affect the rate of methane emissions reduction undermines the CCRA and the Paris Agreement, contributing to temperature increases beyond 2°C, imposing far greater long-term costs than any short-term economic gains. Submitters called for quantification of the impact of removing agriculture pricing, including uncertainty analysis, to ensure transparency and adequate buffers in emissions reduction planning.
The revised approach prioritises short-term relief over long-term climate risk	Submitters argued that this approach prioritises short-term relief while disregarding the severe long-term risks climate change poses to agriculture. They stressed that farmers will be the first and worst affected by extreme weather, threatening agricultural infrastructure and livelihoods. The failure to factor in future costs for climate-related disasters and the slow pace of mitigation were highlighted as major concerns. Submitters such as the National Council of Women of New Zealand, warn this approach delays the transition to a net-zero

	economy and sacrifices the rights of present and future generations.
Removal of agriculture pricing contradicts its intended role in ERP2 to incentivise technology uptake.	Submitters support increased R&D into mitigation technologies but expressed concern that removing agricultural emissions pricing undermines its intended role in ERP2 as a key driver for adopting mitigation technologies. They warned this reversal could slow or prevent investment in technologies, reducing the size of the market and speed of its growth, without strong mandatory signals, and clear incentives for uptake. There was distrust in the projected uptake of agriculture technologies and a view that inaction was not in the best long-term interest of farmers.
Concerns of economic risks	Submitters raised concerns about significant economic risks, including potential loss of market access, trade penalties, and reduced competitiveness in markets with stronger climate ambitions, while creating uncertainty for long-term investment.
Suggestions to further support a market- and technology-led approach to reducing agricultural emissions	
Need for stronger Government support and incentives for agritech adoption and commercialisation	Submitters including Ruminant Biotech and BiomEdit, emphasised that successful agritech adoption requires strong Government support and clear pathways for commercialisation and return on investment, particularly given New Zealand's small market. Submitters such as Bovotica and Canterbury Regional Council, suggested measures such as funding trials to attract products, investment in R&D, credible MRV systems, and alignment with export markets. Fonterra indicated that other customers are not prioritising emissions reductions in their business plans so the availability of customer funding to support mitigation efforts is finite, may diminish over time, and is not a reliable long-term solution. DairyNZ suggested Government should ensuring system coherence across market-based incentive mechanisms (i.e. credit schemes), environmental reporting and other regulatory requirements. Manawatu District Council suggested the Government provide targeted support for adoption, rural digital infrastructure improvements, advisory and support, and clear

	guidance on different mitigation technologies for farmers. Timely access to safe, affordable mitigation technologies and system-level solutions beyond methane-focused tools were seen as essential to expand mitigation pathways. Noting the proposed reliance on voluntary adoption of agritech, some submitters called for safeguards, intervention triggers, and minimum expectations to ensure emissions targets are met. Alternative incentives, such as tax deductions and accessible business finance, were also proposed to encourage early uptake.
Impacts to Māori and suggestions for support	
Submitters cited specific barriers Māori farmers and landowners face, particularly with a technology- and market- led approach.	Submitters noted Māori are disproportionately disadvantaged by climate change. The technology-based approach was a primary concern, where technology proposals may conflict with traditional, organic, or regenerative farming practices. Submitters noted Māori agribusinesses face barriers to capital, land use flexibility, and technology access. Challenges include collective land ownership limiting loans, high costs for smaller farms, reliance on lower-productivity land, and lack of access to finance and technical support.
Submitters suggested a Treaty-aligned approach including increased Māori collaboration in the policy process.	Suggestions for support of Māori-led solutions involved increased consultation and co-development of policy decisions, emphasising that iwi, hapū, and whānau Māori must be involved from the start of policy design to uphold the Treaty. Māori and other submitters including DairyNZ noted the need for inclusion of mātauranga Māori in policy and the use of nature-based solutions to support kaitiakitanga.
Māori submitters suggested targeted investment to support Māori landowners.	Submitters suggested targeted funding and capacity-building to support Māori-led climate initiatives, innovation and agribusiness, noting this could involve co-investment models between Māori and government. Tailored support, education and training were noted as allowing Māori agribusinesses to benefit from the transition while contributing to national emissions reduction goals.
Other concerns	
Some submitters raised concerns with the ex-post nature of the consultation	Approximately 13% of submitters, including LCANZI, the Sustainable Business Network, and the National Council of Women of New Zealand, highlighted that consultation is an essential democratic process. Submitters were

	concerned about the consultation taking place after the Cabinet decision to remove agricultural emissions pricing, regarding the outcome of consultation on an ERP2 amendment as a foregone conclusion and questioned whether this process meets legislative requirements.
Submitters were concerned about modelling assumptions in the discussion document	Submitters, including the Parliamentary Commission for the Environment and Christina Hood, raise concerns about the difficulty of assessing the proposed amendment's impact due to inconsistent modelling assumptions between ERP2 and the 2025 scenarios. They note that the discussion document lacks specific modelling on the removal of agricultural pricing and relies on optimistic assumptions about unproven technology uptake. It was recommended that future policy changes are accompanied by consistent modelling, compensatory policies for any shortfall, and includes a range of scenarios reflecting less optimistic technology uptake to better capture probable outcomes.
Approximately one quarter of submitters were concerned about the impact of the proposed amendment on New Zealand's international reputation	Approximately one quarter of submitters, including the Sustainable Business Network, were concerned that the amendment could undermine New Zealand's climate credibility and international trust, signalling a retreat from Paris Agreement commitments. Concerns were also voiced regarding reputational damage for government and agricultural industries, and potential repercussions for trade agreements.
ETS considerations and concerns	Submitters warned that lowering the ETS cap to offset additional agricultural emissions could shift the effort-share from non-covered to covered sectors, creating distributional impacts. They also questioned ETS relevance post-2030 when the cap reaches zero, noting that reducing it sooner to account for agricultural emissions would accelerate these challenges.

Appendix 3: Summary of analysis of the Commission's previous advice

Advice	Summary of corresponding Government approach
Ināia tonu nei (2021)	
Demonstration pathway The Commission developed multiple scenarios to understand how New Zealand could meet the 2050 target under a range of possibilities. These scenarios follow different paths of technology and behaviour changes. The Commission's demonstration pathway outlines one set of measures and actions within each sector that would deliver the Commission's recommended emissions budgets and the current 2050 target under the CCRA (based on a target of reducing biogenic methane emissions 24-47% by 2050 from 2017 levels). The Commission's demonstration pathway in In Ināia tonu nei assumed that agriculture emissions decrease through a combination of land-use change, changes in farming practices (such as stock and pasture management) and uptake of methane reduction technologies when available (In Ināia tonu nei it was assumed that biogenic methane inhibitors and vaccines are not used before 2035 and selective breeding for lower emissions sheep does not have an emission impact before 2025). The Commission's demonstration path has been updated several times since Ināia tonu nei, reflecting changes due to updated information and trends, changes to previous assumptions due to new evidence, updates to the Greenhouse Gas Inventory and updated Government projections. **On target and budget setting:** The Commission advised on the level of the first, second and third emissions budgets, and it also provided advice on the breakdown by gas to distinguish between different greenhouse gases. Recommendations 2 and 3 outline the Commission's advice on how emissions budgets could be met, including recommended reductions by gas for EB1, EB2, and EB3. The recommended emissions budgets and reduction	While emissions budgets are legally set as an all-gas total in CO_2-e terms, the Government initially adopted sector sub-targets in ERP1 to support monitoring of progress. However, ERP2 shifted to a net-based approach that focused on reducing net emissions in a cost-effective way and did not specify sector sub-targets. Separate methane targets for 2030 and 2050 were set in 2019 with the Zero Carbon framework. though the legislation has been introduced to update the biogenic methane component of the 2050 target. It is likely we remain on track to meet EB2 overall, partly offset by reductions in other sectors, but not the 2030 methane target due to higher projected agricultural emissions from increased production and higher livestock numbers than were forecast last year. As we understand it, you do not intend to depart from this approach. However, the development of ERP3 and/or future adaptive management assessments could provide opportunities to reconsider whether to require specific reductions of gases to help maintain levels of effort across the economy, if appropriate.

by gas are based on the trajectory of the demonstration path. The demonstration path would see New Zealand on a trajectory towards decarbonising the economy with an emphasis on gross emissions reductions of long-lived gases – achieving net zero carbon dioxide emissions by 2038 – and reductions of biogenic methane that would meet the 2030 and 2050 biogenic methane targets. The Commission's advice outlined what the emissions budgets would equate to in terms of percentage reductions for each gas by 2025, 2030 and 2035, relative to 2019. Under the Commission's demonstration pathway, New Zealand would reduce biogenic methane emissions from agriculture and waste by 12% by 2030 emissions relative to 2017 (11% reduction for biogenic methane from agriculture, and 29% from waste).	
In advising on ERP1, the Commission recommended that the Government: • Follow through on commitment to implement a pricing mechanism to incentivise on-farm emissions reductions by 2022 so farmers can feel confident to start taking action • Work with industry to develop advisory services to support farmers to adopt emissions-efficient practices and make the most of opportunities to diversify land use and income. • Improve rural digital connectivity to give farmers access to information and online tools to monitor and improve farm performance and reduce emissions. • Remove barriers to the deployment of emerging technologies that reduce emissions – such as streamlining food safety legislation. • Support systems and infrastructure for alternative, lower emissions land uses so that there is more potential to convert land to low emissions uses in future.	The Commission's recommendations were implemented in the agriculture chapter of ERP1 when it was published in 2022. ERP1 was amended in 2024 to reflect the Government's revised approach to meeting the first emissions budget. For agriculture, this included the removal of the following three actions: 1. An emissions pricing mechanism is developed, and agricultural emissions are priced by 1 January 2025. 2. All producers will have emissions reports by the end of 2022 and a farm plan in place by 2025. 3. Develop further climate-focused extension and advisory services. At the time of the ERP1 amendment, an agricultural pricing mechanism was delayed until 2030. The first two actions listed above were removed from ERP1 because they are related to or supporting measures for an agricultural pricing system. These, along with the third action, were not carried over into the second emissions reduction plan as they did not align with Government priorities nor the technology-led approach that was taken for ERP2 nor the intent to introduce an agricultural pricing system no later than 2030.

ERP2 Advice (2022)	
For policies to be included in ERP2, the Commission recommended that the Government: • Advance the agricultural emissions pricing system to: a. Continuously broaden the range of recognised low emissions practices and technologies; b. Incentivise gross biogenic methane emissions reductions in a manner consistent with achieving the 2030 biogenic methane component of the 2050 target, and putting the country on a trajectory to achieve the 2050 target in full. • Enhance advisory and extension services to farmers to farmers to accelerate land-use diversification and uptake of the technology and practices required to reduce gross emissions in line with emissions budgets and the 2050 target. These services must be co-designed, coordinated, and implemented in partnership with iwi/Māori, and should be developed in collaboration with industry.	The Government has revised its approach to reducing agricultural emissions and will no longer be introducing an on-farm emissions pricing system by 2030. It will continue to support and leverage industry incentives to enable farms to accelerate the uptake of new technology to reduce agricultural emissions. The Government is confident the decision not to progress with an on-farm pricing system by 2030 does not impact the ability to meet EB2. Market-led activity is not specifically geared towards uptake of mitigation technologies, and currently rewards activities that reduce net emissions outside the biogenic methane target. As outlined in the body of this paper, officials' assessment, including in light of reconsidering the Commission's advice, is that some form of incentive is needed to drive uptake of new mitigation technologies on the scale required to meet the 2030 methane target, EB3, and beyond.
Emissions Monitoring Advice (2024 and 2025)	
In the 2024 Emissions Monitoring advice, the Commission identified agriculture as a high-risk sector for EB2, EB3 and the biogenic methane components of the legislated target (both for 2030 and 2050). It noted that the absence of a confirmed emissions pricing system or alternative policy measures that will incentivise reductions in agricultural emissions creates a risk of the country not being on track for its legislated emissions budgets and targets. Due to the timing of when the Commission did their analysis, the assessment did not reflect proposed ERP2 actions which were available at the time of the Government response. The Commission drew on publicly available emissions data and information on Government policies to the period April 2024.	At the time of its publication, the Government had announced that it will introduce legislation amending the CCRA to remove the legislated requirement for agriculture emissions to enter into the ETS in 2025. At the same time, the Government was finalising its ERP2 advice (including consulting on ERP2), which included the Government commitment to introduce an agricultural pricing system no later than 2030. The Government's response to the 2024 Emissions Monitoring advice was that the Government is taking a technology-led approach to reducing agricultural emissions in line with the climate strategy. At the time, this included consulting on including an agricultural pricing mechanism in ERP2 and making a long-term substantial financial commitment to accelerating the development of new agricultural mitigation tools and technologies in partnership with the private sector. While agricultural pricing being has been removed, the wider tech- and market-led approach remains consistent with the Government's policy intent at that time.

Similarly to its 2024 Emissions Monitoring Advice, in 2025 the Commission assessed that ERP2 is heavily weighted towards technological solutions to reduce emissions, particularly in the third emissions budget (EB3) period. These face uncertain timelines for commercialisation and uptake. The Commission warns that, if these solutions are delayed or fail to deliver, alternative options are limited. This would make it harder to reduce emissions in future. As a result, the Commission assesses delivery risks for agriculture as moderate in the second emissions budget (EB2), rising to significant in EB3. They noted the uncertain nature of the agriculture pricing mechanism design as well as timing, so while they consider the policy credible, did not provide more specific advice or recommendations on the pricing mechanism.	The Government acknowledged the risks in the tech-led approach in its adaptive management Cabinet paper and response to the Commission's ERM advice (2025). Cabinet agreed to monitor these risks in the 2026 adaptive management cycle, noting the EB2 period is yet to commence. The Government is addressing the risks identified regarding a technology-led approach by investing in a portfolio of different technologies so there is no reliance on a single technology or approach. AgriZero and its limited partners are working through how AgriZero can best increase its focus on adoption and early uptake of technologies. The Government is aware of the challenges to delivering technologies and is working to streamline the regulatory processes to speed up approvals for developers and deliver technologies to farmers sooner.

Appendix 4: Proposed amendment documentation: Revised ERP2, technical annex, and new addendum

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BRIEFING

Finalisation of ERP2 Amendment and Gazette notice

Date:	21 January 2026	**Priority:**	Urgent
Security classification:	In Confidence	**Tracking number:**	26-BRF-00030

	Action sought	**Response by**
Hon Simon Watts **Minister of Climate Change**	**Agree** to publish the amendment to ERP2 and sign the attached Gazette notice	26 January 2026
Hon Todd McClay **Minister of Agriculture**	**Copy** for your information	N/A

Action for Minister's Office staff
Forward to Minister of Agriculture's office

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Kirsty Flannagan	Executive Director	021 042 0264	✓
Amy Tisdall	Chief Advisor		
Jessie Algar	Author		

The following departments/agencies have been consulted
The Ministry for Primary Industries has been consulted

Minister's office to complete:

☐ Approved ☐ Declined

☐ Noted ☐ Needs change ☐ Seen

☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn

Minister's Comments

Climate
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Climate Change
CHIEF EXECUTIVES BOARD

BRIEFING

Finalisation of ERP2 Amendment and Gazette notice

Date:	21 January 2026	**Priority:**	Urgent
Security classification:	In Confidence	**Tracking number:**	26-BRF-00030

Purpose

- This briefing provides you with the final package of amendment documents for the second Emissions Reduction Plan (ERP2) to approve for publication, and asks you to sign the associated Gazette notice.

Key points

- You recently approved an amendment to ERP2 as part of 25-BRF-00059. The Minister of Agriculture was also consulted on the documents via 25-BRF-00059 and had no feedback.

- The final ERP2 amendment documents are attached in Appendix 1. They have undergone proofing, and only minor editorial changes have been made since your approval in 25-BRF-00059. No substantive changes have been introduced.

- The Climate Change Response Act requires an amendment to an ERP to be made publicly available, tabled in the House of Representatives and published in the Gazette. We are seeking your agreement to proceed with publication of the amendment to ERP2 (Appendix 1), and to sign the attached Gazette notice (Appendix 2).

- As discussed with your office, we are currently aiming for a 29 January publication, via the Ministry for the Environment website. Communications materials to support the announcement, including key messages and Q&A, will be provided to your office separately.

Recommended action

The Climate Change IEB Unit recommends that you:

1. **Note** that you agreed to the ERP2 amendment in 25-BRF-00059, in consultation with the Minister of Agriculture.

2. **Note** that the ERP2 amendment documents have been proofed and finalised, with only minor editorial changes since your approval as part of 25-BRF-00059.

3. **Approve** the finalised ERP2 amendment documents for publication on 29 January 2026 (Appendix 1) *Agree / Disagree*

4. **Approve and sign** the attached Gazette notice (Appendix 2) *Agree / Disagree*

Kirsty Flannagan
Executive Director
Climate Change Chief Executives Board Unit

21 / 01 / 2026

Hon Simon Watts
Minister of Climate Change

___ / ___/ 2026

Background

1. In September 2025, Cabinet agreed not to progress an on-farm agricultural emissions pricing mechanism. You were authorised, in consultation with the Minister of Agriculture, to amend ERP2 to reflect this decision [ECO-25-MIN-0329 refers].

2. You considered the analysis and advice provided and agreed to amend ERP2 (25-BRF-00059 refers). The Minister of Agriculture was also consulted on the documents via 25-BRF-00059 and had no feedback.

3. The ERP2 amendment documents have been proofed and finalised, with only minor editorial changes since your approval as part of 25-BRF-00059. Appendix 1 attaches finalised amendment documents to approve for publication, and Appendix 2 contains the gazette notice for you to sign.

Next steps

4. Under section 5ZI(3)(a) and 5ZI(2)(b)(i) of the Climate Change Response Act 2002, an ERP must be made publicly available, by notification in the Gazette and presentation to the House of Representatives. The same obligation applies to any amendment to an ERP.

5. Upon receiving your agreement to the publication of the documents in Appendix 1, we will prepare to publish the amended ERP2. As discussed with your office, we are currently aiming for a 29 January publication via the Ministry for the Environment website. Due to ETS market sensitivity (Category 2), publication will be timed before market hours.

6. Communications materials to support the announcement, including key messages and Q&A, will be provided to your office separately.

7. We will also arrange for the amendment to ERP2 to be published in the Gazette and work with your office to ensure that the amended ERP2 is presented to the House of Representatives following publication.

Appendix 1: Final draft amendment documentation: updated ERP2, technical annex, and addendum.

Appendix 2: Gazette notice

Amending New Zealand's second emissions reduction plan

> *Pursuant to section 5ZI(3)(a) of the Climate Change Response Act 2002, this notifies my decision to amend New Zealand's second emissions reduction plan. The amended emissions reduction plan can be found on the Ministry for the Environment's website https://environment.govt.nz/publications/new-zealands-second-emissions-reduction-plan/, along with the updated technical annex: https://environment.govt.nz/publications/second-emissions-reduction-plan-technical-annex//, and a new addendum https://environment.govt.nz/publications/new-zealands-second-emissions-reduction-plan-202630-january-2026-amendment-addendum*

Dated at Wellington 29 January 2026

Hon Simon Watts, Minister of Climate Change

Approved	Yes | No
Signature	