Government Response to the Climate Change Commission Report

Te Urupare a te Kāwanatanga ki te Pūrongo a He Pou a Rangi

Monitoring report: Emissions reduction
2025

Te Kāwanatanga o Aotearoa
New Zealand Government

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In 2025, He Pou a Rangi | the Climate Change Commission (the Commission) published their second annual report *Monitoring report: Emissions reduction - Assessing progress towards meeting Aotearoa New Zealand's emissions budgets and the 2050 target (2025)*. The Commission found that:

- New Zealand "is likely to achieve the first emissions budget (for 2022–2025)", and
- the "second emissions budget (for 2026–2030) can be met but there are some areas of significant risk".

The 2025 emissions projections show that New Zealand is on track to meet the first and second emissions budgets (EB1 and EB2), with more budget to spare than the 2024 projections indicated. Through adaptive management, we will closely monitor progress and identify and address any risks to meeting EB2.

The Commission also found that "current plans are insufficient to meet the third emissions budget (for 2031–2035)". It recommended that "the Government acts ahead of the third emissions reduction plan [ERP3], to reduce risk for the second emissions budget and get on track for the third budget and 2050 target".

The Government acknowledges this recommendation and agrees that action ahead of ERP3 will be important. Because the EB2 period has not yet begun, the timing of such action needs to be carefully considered. ERP3 will set out how New Zealand meets EB3. However, in line with the Commission's advice, we are committed to exploring opportunities for earlier action to help meet the climate targets.

This report addresses the findings and the recommendation from the Commission's report.

Introduction

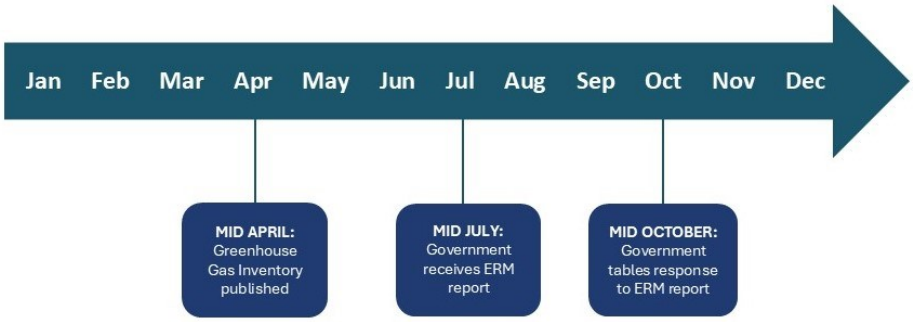
The Government welcomes the He Pou a Rangi | the Climate Change Commission's 2025 report, *Monitoring report: Emissions reduction* (ERM report), received in July 2025.[1] The Climate Change Response Act 2002 (the Act) requires that, on receiving the report, the Minister of Climate Change must present a report to the House of Representatives that:[2]

- sets out the response to the ERM report and recommendations
- describes the progress in implementing the current emissions reduction plan
- notes any amendments to that plan.

The Commission provides regular, independent monitoring and reporting on progress towards meeting emissions budgets and the 2050 target. As part of this, the Commission produces an annual monitoring report[3] that includes:

- how New Zealand's emissions and removals are tracking
- the latest projections for current and future emissions and removals
- an assessment of the effectiveness of the Government's current emissions reduction plan and its implementation.

Figure 1: 2025 ERM report and Government response timeline



1 Climate Change Commission. 2025. *Monitoring report: Emissions reduction – Assessing progress towards meeting Aotearoa New Zealand's emissions budgets and the 2050 target (2025)*. Wellington: Climate Change Commission.

2 Climate Change Response Act 2002, section 5ZK(4).

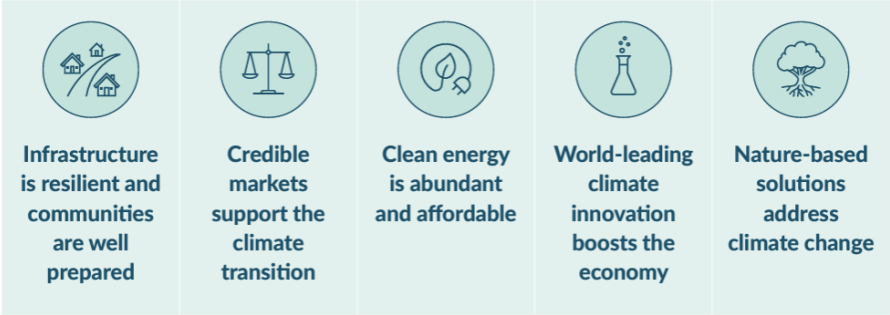
3 Climate Change Response Act 2002, sections 5ZJ and 5ZK.

Government strategy to reduce emissions

We are committed to delivering on New Zealand's climate change commitments while growing the economy. New Zealand can have prosperous communities, affordable and secure energy, increasing primary production and exports, and a thriving economy while meeting its climate change commitments.

In July 2024, we released the Climate Strategy, which outlines the approach for delivering on New Zealand's climate goals. The strategy is based on five pillars (figure 2).

Figure 2: Five pillars of the Climate Strategy



In December 2024, we also released the second emissions reduction plan (ERP2), which is anchored by the five pillars of the Climate Strategy.

Our approach to meeting New Zealand's climate targets is:

- cost-effective and efficient
- net-based – reducing gross emissions and increasing emissions removals[4]
- technology-led, so that production can continue to grow while emissions come down.

The New Zealand Emissions Trading Scheme (NZ ETS) will remain at the core of our response, supported by policies that reduce the barriers to investment in reducing and removing emissions.

New Zealand's domestic climate change targets

New Zealand has legislated domestic emissions reduction targets under the Act:

- net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050
- 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050, including 10 per cent reduction below 2017 levels by 2030.

The first three emissions budgets (EBs) that step New Zealand towards these targets were published in May 2022 (table 1). The net emissions are expressed in million tonnes of carbon dioxide equivalent (Mt CO_2e).

[4] Net emissions are the difference between gross emissions and carbon removals.

Table 1: New Zealand's first three emissions budgets (Mt CO_2e)

	EB1: 2022–25	EB2: 2026–30	EB3: 2031–35
All gases, net	290	305	240
Annual average	72.5	61	48

The Act requires the Minister of Climate Change to prepare and publish emissions reduction plans, which set out the policies and strategies for meeting the corresponding emissions budget. The Ministry for the Environment published the first emissions reduction plan (ERP1) in May 2022 and an amendment in December 2024.

ERP2 was published in December 2024 for the period 2026–30. The third emissions reduction plan is due for publication by the end of 2029.

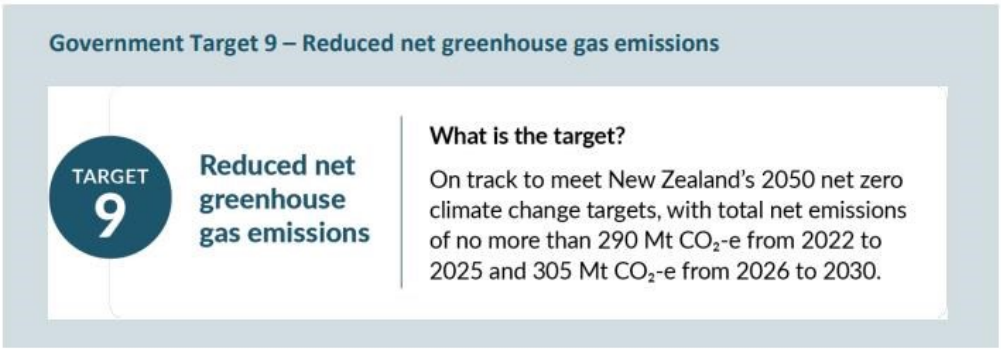
We recently decided to revise the biogenic methane component of the 2050 target to a range of 14 to 24 per cent below 2017 levels by 2050. This will require a change in the legislation. The net zero target for long-lived greenhouse gases will remain unchanged.

Government Target 9

In April 2024, Cabinet set nine government targets. The aim is to focus the public sector on improving results in health, law and order, work, housing and the environment.

Target 9 focuses on reduced net greenhouse gas emissions. It aligns with EB1, EB2 and the 2050 net zero target.

The Minister of Climate Change is responsible for providing quarterly reports to the Prime Minister (via the Department of the Prime Minister and Cabinet), advising on progress towards Target 9 over that period.



Previous Target 9 reports are on the Ministry for the Environment's website. The most recent publicly available report, as at the quarter ending 30 June, outlines that New Zealand is on track to meet Target 9.

2025 projections

We have recently published updated annual projections for 2025, which reflect New Zealand's current expected emissions pathway (figure 3). The 2025 projections have informed the response set out here and were not available to the Commission when producing the 2025 ERM report.

The 2025 projections show that we will meet EB1 and EB2 with increased surpluses or 'buffers', compared with 2024 projections, although EB3 remains off track (see table 2). They confirm that New Zealand can meet both the net zero and 2050 biogenic methane components of the 2050 target.

The 2025 projections adopt a different approach to biogenic methane emissions for agriculture than previously. They use three scenarios to model possible pathways for these emissions in the longer term. Beginning in 2030 and extending to 2050, the scenarios illustrate a range of possible outcomes.[5]

Table 2: 2024 emissions projections and 2025 emissions projections (Mt CO_2e) (central estimate*)

Emissions budget (EB) limits	2024 (ERP2) projections	2025 projections	Difference from EB limit (2025 projections)[6]
EB1 290	284.1	282.2	–7.8
EB2 305	303.1	300.5	–4.5
EB3 240	249.2	247.9	+7.9

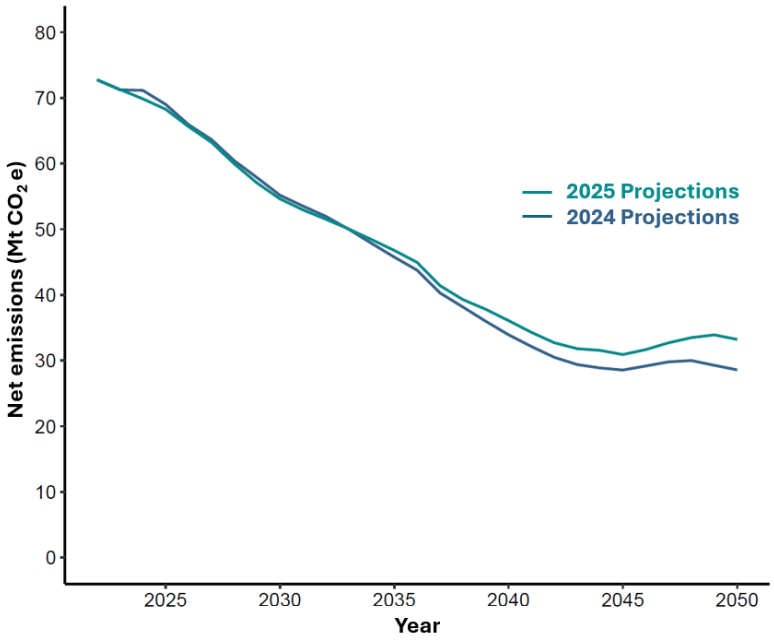
**Central estimate* refers to the value believed to be most likely, based on the current understanding of relevant assumptions. Note: ERP2 = second emissions reduction plan.

The Commission noted in the ERM report that changes to how emissions are measured – the methodology - mean fewer real-world emissions are required to meet the budgets. In separate advice, the Commission recommended revising emissions budgets to reflect this. The Government is currently exploring different approaches to allow for the impact of methodological changes on the budgets.

[5] See the Ministry for the Environment projections webpage for more information.

[6] Refers to how many million tonnes of carbon dioxide equivalent (Mt CO_2e) under or over the emissions budget our projected emissions will be.

Figure 3: 2024 and 2025 emissions projections



Implementing emissions reduction plans

ERP1

The Climate Change Chief Executives Board (the Board) monitors and reports on progress in implementing emissions reduction plans, and publishes all reports on the Ministry for the Environment website. The most recent ERP1 progress report was for the period ending 31 December 2024. In December 2024, we formally amended ERP1 to reflect our approach to meeting EB1 and to ensure effort goes into policies that reduce emissions cost-effectively.

As at December 2024, we expected over half the remaining ERP1 actions to achieve their outcomes by the end of 2025. Work underway through many of these actions will likely continue beyond EB1. Although other actions are discontinued, on hold or delayed,[7] 2025 projections indicate that New Zealand remains on track to meet EB1. Because the EB1 period ends in December 2025, this is unlikely to change.

The Board will publish the final ERP1 implementation report in early 2026, covering the period ending 31 December 2025.

ERP2

ERP2 was published in December 2024. It includes a comprehensive range of policies and initiatives to reduce emissions, speed the uptake of new technologies and encourage innovation. ERP2 formally comes into effect on 1 January 2026. However, work on the initiatives is already underway, and we have begun reporting on progress.

The most recent publicly available Target 9 report for the quarter ending June 2025 shows that nearly all ERP2 policies and actions are in development or underway.

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[7] Nineteen first emissions reduction plan (ERP1) actions have been discontinued, 46 actions are on hold, 5 are yet to begin and 15 are delayed or uncertain.

We have recently agreed to remove agricultural pricing from ERP2. This will not affect New Zealand's ability to meet EB2.

Managing progress towards the budgets

ERP2 outlined an adaptive management approach to actively monitor how New Zealand is tracking toward its climate targets and respond to changing circumstances. This process enables the Government to monitor developments closely and, if needed, make timely corrections to stay on track for EB2.

The adaptive management approach will apply annually through a three-stage cycle (figure 4).

Figure 4: Annual adaptive management cycle

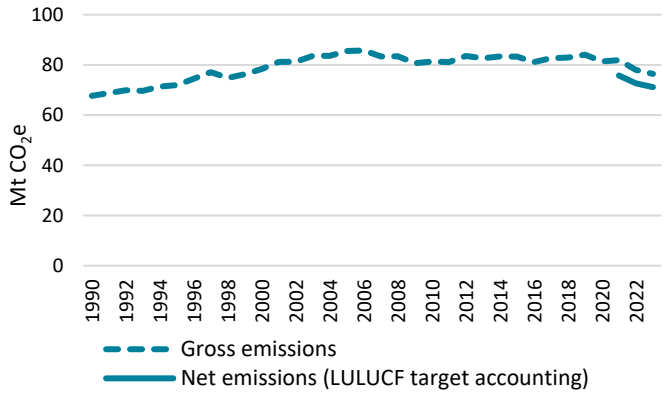
Response to Commission findings and recommendation

For a summary of its findings and recommendation in full, see the Commission's report (p 5). Pages 15 and 16 in the report set out the methodology.

The Government agrees with the Commission's finding that "total net emissions continued to fall over the last year measured". New Zealand's 2025 Greenhouse Gas Inventory shows that:

- gross emissions peaked in 2006 and have been trending down since 2019
- net emissions have been falling since the start of the EB1 period in 2022 (figure 5).

Figure 5: New Zealand's gross and net emissions (Mt CO_2e) 1990–2023[8]



Note: LULUCF = Land Use, Land-Use Change and Forestry.

Meeting EB1 and EB2

We agree with the Commission's finding that "the country is likely to achieve the first emissions budget (for 2022–2025) due to a combination of emissions reductions and changes to accounting methods".

The Commission notes that remaining risks to meeting EB1 are external factors outside the Government's control, such as low rainfall reducing hydroelectric generation, or loss of forest area through deforestation, storms or wildfire.

The 2025 projections show total emissions of 282.2 Mt CO_2e for the period, which are 7.8 Mt CO_2e less than the EB1 limit (figure 6). Given this buffer, and the limited time remaining in the budget period, there is strong confidence that New Zealand will meet EB1.[9]

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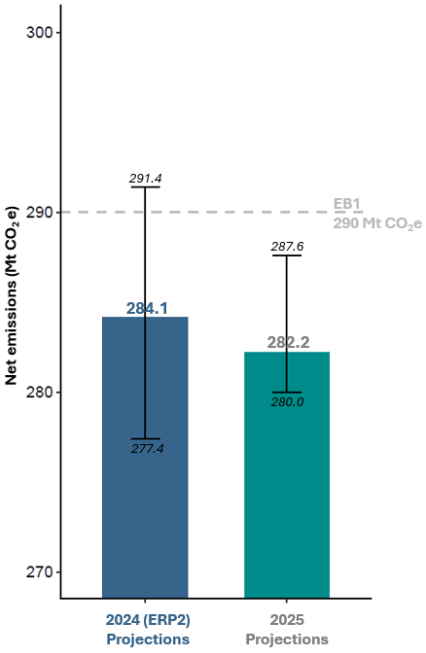
[8] Net emissions are shown for 2021 to 2023 only because the Land Use and Carbon Analysis System (LUCAS) Calculation and Reporting Application (CRA) model used to generate Land Use, Land-Use Change and Forestry (LULUCF) target accounting forestry estimates has currently produced results for this period only (as per the 2025 Greenhouse Gas Inventory).

[9] Any surplus reductions from EB1 could be counted towards meeting EB2 under the 'banking' provisions in the Act. Section 5ZF of the Act sets out 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.

Figure 6: 2024 and 2025 emissions projections with the sensitivity range for EB1

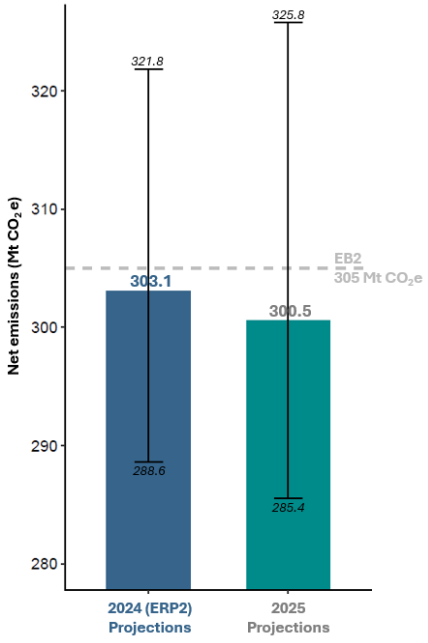


Note: EB1 = first emissions budget; ERP2 = second emissions reduction plan.

The Commission found that "the second emissions budget (for 2026–2030) can be met but there are some areas of significant risk". The risks arise from delivery challenges (implementing policies or actions) as well as external factors. This is addressed in the next section.

The 2025 projections show that emissions remain below the EB2 budget limit, with a larger surplus or 'buffer' than previously indicated (figure 7). This provides confidence that New Zealand can meet EB2. More broadly, through adaptive management, we will closely monitor progress and identify and address any risks to meeting EB2 as necessary.

Figure 7: 2024 and 2025 emissions projections with the sensitivity range for EB2



Note: EB2 = second emissions budget; ERP2 = second emissions reduction plan.

Risks to meeting emissions budgets

The Commission found that delivery risks to meeting EB2 and EB3 have increased, compared with last year, particularly for EB3 (2031–2035). While the level of risk varies by sector, the Commission found that the largest risks come from energy, industry and buildings, and forestry. Table 3 sets out the main delivery risks identified by the Commission and the Government's response.

Table 3: Summary of main delivery risks across key sectors and Government response

Commission findings on delivery risks	Government response
New Zealand Emissions Trading Scheme	
The Commission highlights the importance of a stable and predictable process for setting New Zealand Emissions Trading Scheme (NZ ETS) unit limits and price controls. Looking ahead, the Commission advises that current settings could see the net emissions cap reach zero in the late 2030s, limiting its effectiveness beyond that point. It recommends beginning a carefully signalled evolution of the scheme so that it remains effective throughout the 2030s and beyond. The Commission also found that industrial free allocation still creates disincentives for firms to decarbonise. The Commission recommends exploring alternative mechanisms to address emissions leakage,[10] while maintaining stronger incentives to reduce emissions.	The NZ ETS is our primary tool for driving emissions reductions. It puts a price on pollution that drives businesses and investors to cut emissions and support cleaner solutions. It incentivises businesses and land owners to reduce emissions and invest in removals in the most cost-effective ways. We support the core recommendations in the NZ ETS chapter. We recognise the importance of maintaining a credible and effective scheme towards and beyond 2030. We acknowledge that further work will be required over the long run to ensure its ongoing effectiveness. We agree that current industrial allocation settings risk disincentivising decarbonisation efforts in firms receiving industrial allocation. We are committed to exploring options to mitigate this impact in ERP2.
Agriculture	
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.	We recognise the importance of supporting a mix of mitigation options for the agriculture sector to support emissions reductions. We are partnering with industry to accelerate new mitigation technologies and support improvements in farming methods. We have committed more than $400 million over the next four years to accelerate the development and availability of new tools and technology to reduce on-farm emissions. Initiatives, such as AgriZero, are lowering cost barriers, unblocking bottlenecks and enabling large-scale adoption. We are streamlining regulatory processes to speed up the delivery of mitigation technologies, while managing risks.
Forestry	
The Commission found that under ERP2, forestry removals are expected to comprise 33 per cent of net emissions reductions sought in EB2, and 46 per cent in EB3. It also found that there are moderate delivery risks in EB2, because there could be more deforestation than anticipated, and afforestation could fall short of expectations.	Forestry plays an important role in reducing net emissions and meeting New Zealand's climate change targets. Projections for 2025 increase the certainty of forest removals for EB2. We acknowledge there are delivery risks to the scale of forestry needed in EB3, due to uncertainty about registering exotic forests in the NZ ETS.

[10] Emissions leakage is when reducing emissions in one place causes emissions to increase somewhere else, reducing the overall global benefit.

Commission findings on delivery risks	Government response
In EB3, the delivery risk identified by the Commission increases to significant, due in part to uncertainty about the impact of registering exotic forests in the NZ ETS. In addition, the Commission notes that current actions are insufficient to support the scale and type of forest planting and management needed to sustain long-term carbon sinks.	However, the Climate Change Response (Emissions Trading Scheme—Forestry Conversions) Amendment Bill is likely to mitigate some of this.
Energy	
The Commission found that recent high energy prices highlight the risk to energy affordability and reliability of supply. Long-standing energy supply and competition issues, including insufficient investment in new generation and steadily declining gas supply, have already contributed to recent industrial closures. The Commission found that the current New Zealand Unit price may not be enough to drive reductions in gross emissions, or to incentivise investment in emerging technologies such as carbon capture utilisation and storage (CCUS). These issues contribute to the significant risk in EB3.	Government policy is focused on affordability and security of supply, which are essential for electrification. A range of work is underway to support these focus areas. This includes reviewing electricity market performance, and the Electrify NZ programme (including Fast Track), which aims to unlock investment in renewable generation and infrastructure, supporting a resilient, low-emissions energy system. We take a cost-effective approach to reducing emissions through the NZ ETS. This allows for both cutting emissions and increasing removals, in whichever way is most effective. Although the Commission notes challenges for emerging technologies, such as CCUS, because gas reserves are declining, we expect overall emissions in this sector to reduce.
Buildings	
The Commission has increased the risk assessment for phasing out fossil fuels for operational energy, and reducing energy demand in buildings, from moderate to significant, in both EB2 and EB3. Although the Government is focused on a market-led approach for new builds and public funding to improve existing buildings, progress remains uncertain.	We agree that reducing emissions from buildings is a priority. Our focus is on creating the right conditions for change by streamlining consenting processes and improving access to data and information. For example, we have clarified that a building consent is not required to install rooftop solar, making it easier for households and businesses to adopt renewable energy.
Transport	
The Commission found there are moderate risks to achieving the planned reduction in passenger transport emissions intensity for EB2 and EB3. This is due in part to the risk rates of electric vehicle (EV) adoption staying low, without policies to lower upfront purchase costs. The Commission also noted risks to aviation decarbonisation policies, freight emissions reduction and demand reduction for carbon-intensive passenger transport. The latter is due to a lack of integrated land use and transport planning.	Our policy is to use the NZ ETS as the primary tool for reducing emissions, with complementary measures where needed to address market barriers. These include initiatives to accelerate EV uptake, and more efficient vehicles through the Clean Vehicle Standard. We are also investing in the Supercharging EV infrastructure programme, which includes a new concessionary loan scheme to expand public charging infrastructure.
Waste	
The Commission found there are significant risks of not achieving planned waste emissions reductions in EB2 and EB3. The risk assessment reflects reduced momentum on organic waste reduction and diversion away from landfill. It also reflects a lack of clarity about how the anticipated reduction through landfill gas capture will be achieved by 2035.	We acknowledge that there are risks to achieving planned waste reductions in EB2 and EB3. Work is underway to strengthen policies across the waste system, including measures to reduce organic waste and improve landfill gas capture. These efforts will support progress towards reducing emissions, in line with the direction in ERP2.

Commission recommendation to act ahead of EB3

The Commission's ERM report contained one recommendation that "the Government acts ahead of the third emissions reduction plan to reduce risk for the second emissions budget and get on track for the third budget and the 2050 target".

The rationale was that "many options that would make a difference will take time to take effect". The Commission also highlighted that "there are also significant risks for meeting the 2050 target without further action".

We acknowledge the Commission's recommendation that action ahead of ERP3 (due in 2029) will be important to reduce potential future risks for meeting EB2 and improve the likelihood of meeting EB3. This aligns with the Climate Strategy, which focuses on strengthening the NZ ETS, expanding renewable energy generation, and supporting the development, commercialisation and adoption of new agricultural technology.

Because the EB2 period has not yet begun, timing for action needs to be carefully considered. We remain confident that our current adaptive management approach provides flexibility in managing any emerging risks to EB2. ERP3 will set out how New Zealand intends to meet EB3. However, we are also committed, as the Commission recommends, to looking at opportunities ahead of ERP3. This will help to shape policy development and ensure we are well-placed to meet our climate targets.

Conclusion

The Government thanks the Commission for its second ERM report and the thorough assessment and analysis to monitor and report on how New Zealand is tracking to meet its climate change targets. Most of the Commission's main findings align with the Government's monitoring and reporting. They reinforce the need to track progress closely, while managing the constraints and uncertainties of the transition to net zero by 2050.