

New Zealand's second emissions reduction plan

A GUIDE TO WHAT'S NEW IN THE FINAL DOCUMENT



The Government published New Zealand's second Emissions Reduction Plan (ERP 2) on 11 December 2024. Our July [publication](#) provided a detailed overview of the proposed sectoral policies and key issues arising from the draft. This at-a-glance summary, highlights what has changed in the final plan and provides an update on how policies in each sector are expected to contribute to New Zealand's second emissions budget (2026 – 30). It is intended to support companies as they consider the implications of ERP 2 for their business.

Final ERP 2: some new policies, with focus on negative emissions technology and new innovation

As with the draft ERP, the Government's focus remains on 'least cost' net emission reduction, with forestry (offsets) and agriculture expected to do much of the heavy lifting to achieve EB2. The stated approach is "technology-led", with focus on negative emissions initiatives (including afforestation) and new technology to reduce biogenic methane emissions. A breakdown of sectoral contributions to EB 2 in the final ERP 2 is shown at left right (in an update to our [earlier analysis](#)) – with energy and forestry making up over half of projected removals for the EB 2 period. Policies in ERP 2 are projected to contribute 3.2 MtCO₂-e of the total 68 MtCO₂-e projected reductions across the economy in the EB2 period – that is, the vast majority of reductions are projected to occur irrespective of the proposed policy changes.

Whilst **forestry** is expected to be a major contributor to EB2, ERP 2's key forestry policy – partnering with the private sector for planting on Crown land – is actually projected to lead to a small increase in emissions in EB2 as emissions initially rise from land clearance and soil loss due to conversion to forest. ERP 2 also considers "non-forestry removals", ie nature-based solutions, though recognises more work is needed to understand their potential.

In the **energy** sector, enabling carbon capture, utilisation and storage (CCUS) is predicted to be the largest contributor to emissions reductions in EB2, with financial incentives for CCUS operators through the NZ ETS, likely at existing gas fields– with legislation to be progressed through 2025.

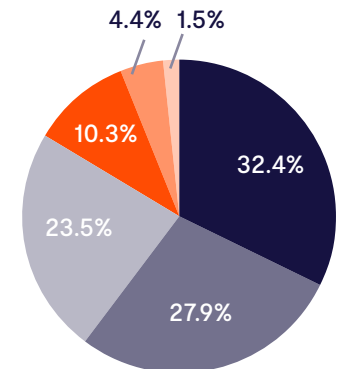
Agriculture emissions reductions will also largely rely on new mitigation technologies, with Government exploring opportunities to target investments with industry, in addition to the AgriZero joint venture established in 2023 and other existing initiatives to support the development of technology solutions to agricultural emissions. ERP 2's modelled

emissions reductions include the impact of agricultural emissions pricing, which is scheduled to be introduced by 2030 (and it is therefore unclear whether this will be implemented within EB2).

As with the draft ERP, **waste, industrial processes and transport** are expected to contribute to relatively modest emissions savings during EB2. Transport, which makes up 17.5% of New Zealand emissions profile (the vast majority of this from road transport), is supported by the key ERP 2 policy of 10,000 new public EV chargers.

Finally, unlike the draft, the final ERP 2 contains a chapter on **building and construction**. New policies include increasing the availability of voluntary building energy performance ratings by expanding the NABERSNZ scheme to other non-residential buildings such as shopping malls and hotels, supporting retrofit of buildings to improve energy efficiency, and improving availability of embodied emissions data. However, this sector's contribution to emissions reductions in EB2 has not been quantified.

Contribution of sectors to emissions reductions 2026-30 under ERP 2



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ERP 2's sectoral policies are supported by a range of new cross sectoral enabling policies, as summarised below.

POLICY AREA (AND HEADLINE TAKEAWAYS)	Emissions Trading Scheme (ETS) Confirmation that previous Government's reforms will not be progressed	Funding and financing Building on existing work underway, pursuing Trans-Tasman alignment	Technology and innovation Ending the GMO ban, headline goal to support technology uptake and remove barriers to commercialisation, with further detail to come on how these policies will be implemented
KEY POLICIES PROPOSED	<ul style="list-style-type: none"> No vintaging of (ie, not placing an expiry date on) New Zealand Units (NZUs). No differential treatment of forestry NZUs, Strengthening market governance and clarifying market information. Aligning the ETS with EB2 (ie, aligning NZU supply with the NZ ETS cap through annual updates to ETS settings, eg, already announced decisions on ETS settings). 	<ul style="list-style-type: none"> Developing a sustainable finance strategy. Developing a sustainable finance taxonomy. Continuing to support credible, efficient and resilient markets through provision of information (eg, climate-related disclosures and open-source climate projections). Investigating the potential of a biodiversity credit market. Cooperating with Australia to align the sustainable finance policy and regulatory landscape, including transition planning and investment product labelling, with a view to positioning the region as a "robust green finance market". 	<ul style="list-style-type: none"> Removing regulatory barriers to commercialisation of emissions reducing technology. Ending the ban on gene technology outside the laboratory. Increasing renewable energy and encouraging advances in enabling technology, eg, battery storage. Removing market barriers to encourage new technology to be trialled in New Zealand.

This publication has been prepared as a high level overview of the New Zealand Government's second Emissions Reduction Plan and a general guide to key changes from the draft version. For specific advice on how ERP 2 may affect you or your business, please get in touch with one of our climate change experts.



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