SBN's response to recent changes to climate change legislation

About us

Created in 2002, the Sustainable Business Network (SBN) is Aotearoa New Zealand's largest network for sustainable business. It includes about 400 organisations nationwide, and works with many more at all scales and across all sectors of the economy.

Submission summary on policy changes

New Zealand's political response to climate change was painstakingly constructed over many years of bi-partisan political effort. This approach is vital to meet the scale and long-term scope of the challenges we face.

The Climate Change Response Act (CCRA), the Climate Change Commission (CCC) and successive emissions reduction plans (ERPs) are crucial aspects of that response.

The recent changes announced by this government deliberately and recklessly undermine this.

Their negative impacts will not be limited to our borders.

Perhaps the most concerning change is the removal of the requirement for the New Zealand Emissions Trading Scheme (ETS) and emissions budgets to align with our international legal obligations under the Paris Agreement.

That puts this government firmly on the wrong side of history in a rapidly changing world. It demonstrates a weakening commitment to that Agreement, and to our internationally declared Nationally Determined Contribution (NDC). In doing so, it threatens to help unravel that Agreement entirely, as further nations may follow this example to reduce their own co-operative commitments to change.

This approach will further jeopardise this nation's reputation for environmental stewardship. That reputation enables many Kiwi businesses to access premium global markets. It will make it harder for Kiwi exporters to meet the increasingly stringent demands of overseas customers on environmental responsibility and ethical production.

This slackening of intent is also demonstrated in the diminishment of the role of the Climate Change Commission to a "system monitor" and removing its duty to provide independent advice. This will muzzle the bipartisan, politically independent and evidence-based oversight required to keep us on track.

The retreat from genuine public consultation to vague "engagement expectations" will also reduce democratic participation on this matter of national and global importance. It will make it harder to secure and maintain the public consensus on climate change action required for our resilience and success.

We've also recently seen the weakening of several specific targets:

- The deferment of the carbon neutral government target from 2025 to 2050 kicks the can further down the road to future governments and future generations. They will find it ever harder to achieve the greenhouse gas emissions reductions required, because of this predatory delay. It will necessitate much more dramatic action in future, which will make it harder to secure a just transition to the low carbon regenerative future we all want and need.

- Cutting the 2050 methane reduction target suggests the continuation of the "do as little as possible" approach on this. Methane is a major contributor to New Zealand's greenhouse gas emissions. Due to its shorter-lived but more pronounced role in the atmosphere, cutting these emissions now is central to pulling the 'emergency brake' on our climate change impact.

- Reducing the requirements for Climate Implications of Policy Assessments (CIPA) will further unhinge cabinet decision making from climate reality.

Wider context and concerns

Increasing barriers to trade

The New Zealand government's current retreat from responsible action on climate change goes against the flow of what our global customers are doing and what they expect of us. All over the world national and corporate requirements are tightening.

New Zealand exporters are already facing, or will soon face, tighter greenhouse-gas related rules in several major markets, especially the EU and UK. There have also been early moves in other regions, mainly through private-sector standards. These measures currently focus on carbon-intensive industrial goods. But they are designed to expand in scope. This means they provide clear signals of the 'direction of travel' for agricultural and food exporters, and an indication of the pace expected.

Strong domestic climate policy, aligned with international commitments, would put New Zealand businesses in a stronger position for international market access. The government has the opportunity to support innovation and a low-emissions competitive advantage for New Zealand businesses, and to foster readiness to meet international reporting and data requirements. The proposed changes squander this opportunity.

European Union (EU)

The European Union Carbon Border Adjustment Mechanism (CBAM) entered its transitional phase on 1 October 2023.[i] This requires importers of cement, iron and steel, aluminium, fertilisers, electricity and hydrogen to report embedded emissions in goods entering the EU, including from New Zealand. From 1 January 2026, EU importers must start buying and surrendering CBAM certificates, effectively imposing a carbon price at the border linked to the EU Emissions Trading System.

CBAM does not yet cover agricultural goods, but the European Commission plans to review this before 2030 and has signalled a likely expansion to other carbon-intensive products. This could increase exposure for New Zealand exporters of processed foods and other manufactured products.

And as of 1 January 2025, only EU-approved methodologies for emissions reporting have been accepted. This means New Zealand exporters can no longer rely on New Zealand ETS data as an equivalent method for CBAM reporting.

United Kingdom (UK)

The UK government has confirmed it will introduce its own Carbon Border Adjustment Mechanism from January 2027.[ii] This will place a carbon price on specified high-emissions imported goods such as steel, cement, aluminium, fertilisers, electricity and hydrogen to align with the UK Emissions Trading Scheme. This will apply to goods imported from all countries. This means New Zealand exporters of covered products will need to document and potentially reduce embedded emissions. Otherwise they may face higher effective costs into the UK market.

Other major customers

Japan and South Korea have not yet implemented full carbon border tariffs. But both are tightening domestic climate policy, including emissions trading and sectoral reduction targets. They remain large importers of food and agricultural products, and are increasing pressure on suppliers to demonstrate lower emissions and greater climate resilience.

Large downstream buyers and retailers in major markets are increasingly imposing their own emissions and climate-disclosure requirements on suppliers. This includes requiring life-cycle carbon footprints, verified emissions data and progress against science-based emissions reduction targets. This already affects New Zealand exporters even where no formal border tax exists.

Falling behind global business ambition

Recent examples of the scale of climate ambition demonstrate the continued transition to a global low carbon economy.

The Glasgow Financial Alliance for Net Zero (GFANZ) represents financial institutions with assets exceeding $130 trillion committed to net-zero emissions. GFANZ includes more than 450 firms across 45 countries. They've pledged science-based interim and long-term net-zero targets and regular progress reporting to ensure accountability.[iii]

From 2026 China is enforcing new mandatory environmental, social and governance (ESG) reporting standards. These rules require more than 400, large publicly-listed companies on major Chinese stock exchanges to publish comprehensive sustainability reports covering ESG factors for the 2025 financial year.[iv]

Failure to respond appropriately to mounting financial risk

Even where mandatory climate reporting has not yet reached, financial institutions are increasingly requiring climate-risk information from businesses. They simply cannot price risk without it.

For example, data from the Insurance Council of New Zealand shows the wildly fluctuating cost of natural disasters, with flooding events in 2024 triggering losses in excess of $4 billion.[v] Experts agree that these losses are set to increase if climate change is allowed to continue to accelerate.

At the same time the Reserve Bank's Climate Stress Test 2023 forecast "Aggregate dividends [from major financial institutions] in the 'Too Little Too Late' scenario were almost 40% less than the base case from 2031 to 2050" – representing a forecast financial loss of $47 billion. This is the scenario towards which the current government's policies are heading.[vi]

Negative impacts on consumer behaviour

We're seeing real-time shifts in business and household decisions due to inconsistent incentives and guidance.

For example, registrations of electric vehicles dropped sharply after the Clean Car Discount ended. This highlights how important incentives are, especially for middle-income households.

Cutting more than a quarter of the funding to the Energy Efficiency Conservation Authority and scrapping the Government Investment in Decarbonising Industry Fund has also opened up a huge gap in business incentives to decarbonise. Great efforts are being made to fill this with the work of Rewiring Aotearoa and SBN's allied Electrify Business programme. But this is heavily reliant on philanthropic and corporate support during an incredibly difficult economic period.

Failure to capitalise on massive post-carbon opportunities

Even in the absence of consistent government support, sustainability innovation still abounds in Aotearoa. According to our recent *Next Wave* report, most sustainability-focused innovators surveyed by SBN remain optimistic about their future. Nearly three quarters (73%) of them expect to grow. But in the related survey access to capital finance, which could be supported through government, remained their greatest barrier to success.[vii]

In clinging on to the old fossil fuelled economy, and failing to show the courage and leadership to back the next, low carbon, circular economy, the current government is putting at risk our global sustainability advantage and the related opportunities for world-beating innovation.

In the foreword to the International Panel on Climate Change's (IPCC) *Climate Change 2023 Synthesis Report* Petteri Taalas, Secretary General of the World Meteorological Organization and Inger Andersen, Under-Secretary-General of the United and Nations and Executive Director of the UN Environment Programme (UNEP) State:

"Delayed mitigation and adaptation action would lock-in high-emissions infrastructure, raise risks of stranded assets and cost-escalation, reduce feasibility, and increase losses and damages."[viii]

This, sadly, seems an apt description of the current government's approach to this crucial challenge.

Our recommendations

1. The alignment between the ETS, ERPs and NDCs must be maintained to retain the integrity of New Zealand's national climate change response, keep it within internationally agreed norms and commitments and protect our global reputation.

2. Any major changes to the CCRA must be made through an inclusive, consultative process, with bipartisan support. This is a key way to secure the pace and scale of change we need.

3. The oversight of the Climate Change Commission must be maintained and strengthened in line with the expert recommendations it has already produced. Our national response to climate change must be evidence-based, not ideology based.

4. All governments must safeguard transparent, public consultation on all substantive climate policy changes. The current overuse of the urgency process, combined with the lack of meaningful response to public submissions is corrosive to a democratically co-ordinated approach to these and other issues.

5. Successive governments must now prioritise gross emission reductions. It is no longer realistic to rely on unproven technological solutions that may be decades away, if they emerge at all. That is especially true of those related to carbon dioxide removal, or carbon trading mechanisms. They are no substitute for the substantive reductions in our greenhouse gas emissions that need to happen now, and consistently for many years to come.

[i] https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en
[ii] https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism
[iii] https://www.gfanzero.com/
[iv] https://kjs.mof.gov.cn/zhengcefabu/202509/t20250912_3972190.htm
[v] https://www.icnz.org.nz/industry/cost-of-natural-disasters/
[vi] https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/bulletins/2024/rbb-2024-87-05.pdf
[vii] https://sustainable.org.nz/learn/tools-resources/next-wave-report/
[viii] www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf