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Climate Change Regulation 2026

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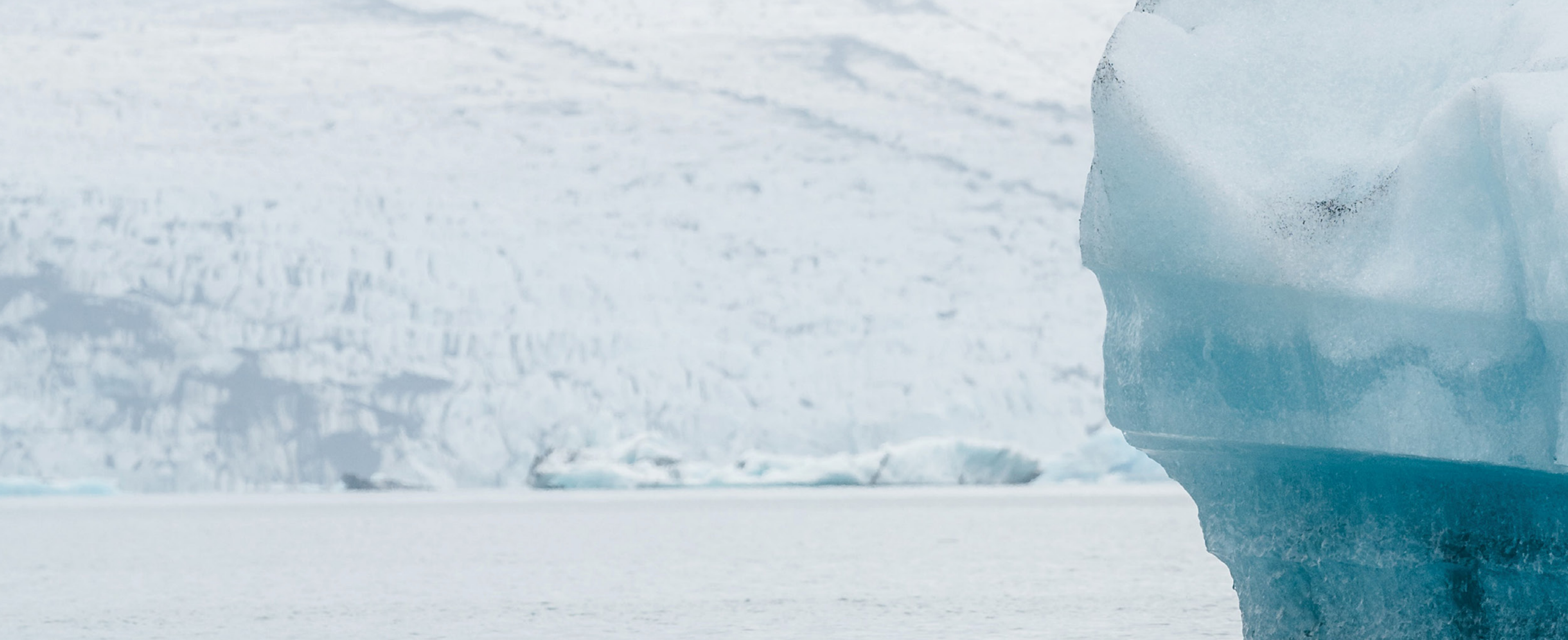
New Zealand: Law and Practice
Josh Williams
Anderson Lloyd



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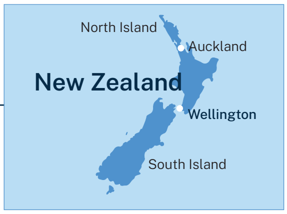

Law and Practice

Contributed by:
Josh Williams
Anderson Lloyd

Contents

Anderson Lloyd is one of New Zealand's oldest, most respected law firms, with integrated offices in Auckland, Christchurch, Dunedin and Queenstown. Across its multidisciplinary team, the firm has experts in climate change areas such as renewable energy projects, the Climate Change Response Act, the emissions trading scheme, carbon forestry projects, carbon trading arrangements, and the climate change aspects of the Resource Management Act. Anderson Lloyd is committed to sustainable practices, and it takes responsibility as custodian of a multi-generational firm, caring for its people, community and environment. It takes ownership of, and is accountable for, its measurable emissions while conducting day-to-day business. It was the first large New Zealand law firm to attain Toitū net carbonzero accreditation, and is an active member of the Sustainable Business Council, Climate Leaders Coalition, and the NZ Green Building Council.

Author

Josh Williams is a partner in Anderson Lloyd's corporate and commercial team. He advises clients on a broad range of matters, from commercial contracts, technology contracts, and corporate governance to significant M&A transactions, capital raisings, shareholder arrangements, joint ventures and corporate structuring. Josh has a specialist focus on climate change and the emissions trading scheme, and advises clients on a variety of arrangements involving the New Zealand carbon market. This includes carbon forestry projects, carbon trading arrangements and NZU off-take agreements, carbon management and other commercial contracts, as well as the scheme itself.

Anderson Lloyd

Level 2
The Regent Building
33 Cathedral Square
Christchurch 8011
New Zealand

Tel: +64 3 379 0037
Email: lawyers@al.nz
Web: www.al.nz

1. Multilateral and Regional Regimes

1.1 Multilateral Climate Change Legal Regime

New Zealand has been a party to the United Nations Framework Convention on Climate Change (UNFCCC) since its inception, and has entered into all significant agreements made under it including the Kyoto Protocol, the Doha Amendment, and the Paris Agreement. The country participates in the annual Conference of the Parties (COP) meetings, where UNFCCC member countries discuss and negotiate climate-related issues, as well as review and assess the implementation of the convention. New Zealand has made various commitments under the UNFCCC. In particular, it has pledged to reduce its greenhouse gas emissions, contribute to climate finance for developing nations, and take steps to adapt to the impacts of climate change. It has adopted the Paris Agreement, joining the global effort to limit global warming to well below 2 degrees Celsius above pre-industrial levels, while pursuing efforts to limit the temperature increase to 1.5 degrees Celsius.

1.2 Regional Climate Change Legal Regimes

Pacific Islands Forum

New Zealand is one of 18 members of the Pacific Islands Forum (PIF), which, in 2019, declared climate change to be "the single greatest threat facing the Pacific". In 2022, the Forum formally declared a "Climate Emergency" and emphasised the urgency of limiting the global average temperature rise to 1.5 degrees Celsius through rapid, deep, and sustained greenhouse gas emissions reduction.

In recent years, the PIF has:

- committed to implementing the Paris Agreement and acting on the IPCC's 6th Assessment Report;
- committed to the transition away from coal, oil and gas in its energy systems (in line with IPCC pathways for limiting global average temperatures to 1.5°C above pre-industrial levels) and for fossil fuel consumption to peak in the near term; and
- called on all development partners to provide substantially greater levels of climate finance, technology and capacity to accelerate decarbonisation of the nations of the Pacific Ocean.

At the PIF's most recent meeting in September 2025, the establishment of the Pacific Resilience Facility – a Pacific-led climate and disaster resilience fund which aims to assist pacific nations with loss and damage caused by climate change and provide finance for climate mitigation initiatives – was signed and ratified. PIF members also endorsed the "Blue Pacific Ocean of Peace" declaration on regional security and stability.

2. National Policy and Legal Regime (Overview)

2.1 National Climate Change Policy

Since 2024, New Zealand's climate policy framework has undergone a period of recalibration, with a focus on simplifying compliance, enhancing flexibility, and balancing emissions-reduction objectives with economic considerations.

Nationally Determined Contribution (NDC)

New Zealand's NDC is to reduce greenhouse gas emissions by 51–55% below 2005 levels (expressed on a "point-year target" approach). This NDC, submitted in January 2025, represents a 1–5% increase as compared with New Zealand's previous NDC of reducing greenhouse gas emissions by 50% below 2005 levels.

Scope of NDC

New Zealand's NDC:

- is economy-wide, covering all sectors including energy, industrial processes, product use, agriculture, land use and forestry, and waste; and
- covers all greenhouse gases, including CO2, CH4, SF6, HFCs, PFCs, N2O and NF3.

Scientific Methodologies for Calculating Commitments

New Zealand has historically followed the methodologies recommended by the IPCC and continues to do so. New Zealand calculates its commitments based on the methodologies prepared by the IPCC and, where applicable, as agreed by the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement.

Biennial Transparency Reports

New Zealand submitted its first Biennial Transparency Report (BTR) in December 2024. It confirmed that it was on track to meet the domestic share of its Paris Agreement target, in large part through sequestration via the ETS. However, much of New Zealand's target under the Paris Agreement is to be achieved via offshore reductions, and the BTR has not disclosed how this remainder will be met. The government has not been clear on how these offshore reductions will be reached, with the Climate Change Minister stating that "the government has no formal plans to purchase offshore".

Climate Change Policy

New Zealand legislated its role in addressing climate change through the Climate Change Response Act 2002 (CCRA) and established a national ETS in 2008. In 2019, the CCRA was substantially amended to introduce the emissions budget and ERP mechanisms, as well as to establish the Climate Change Commission.

Emissions budgets are intended to act as "stepping stones" towards New Zealand's net zero 2050 domestic target. They set out the maximum quantity of net carbon dioxide equivalent emissions that New Zealand is to emit over a five-year period. New Zealand's emissions budgets are currently as follows.

- 2022–2025: 290 MtCo2e (EB1).
- 2026–2030: 305 MtCo2e (EB2).
- 2031–2035: 240 MtCo2e (EB3).

Prior to the release of each emissions budget, the government is required to release an ERP setting out how the policies and strategies are to be used to hit the targets of the next emissions budget. New Zealand's first ERP was released in May 2022 (ERP1), and set out the means via which the government intended to achieve EB1. ERP1 has proven a success, with New Zealand on track to meet EB1.

The government has recently released the second ERP for the EB2 period (ERP2). While ERP1 heavily emphasised emissions reductions in the transport sector, ERP2 is relying on anticipated emissions reductions in the agriculture sector. Both ERP1 and ERP2 also rely on emissions reductions in the energy sector, as well as on the continued sequestering of carbon by the forestry sector, as key to meeting their respective emissions budgets. Under the forecasts set out in ERP2, New Zealand is expected to achieve EB2, but to fall short of meeting EB3.

2.2 Constitutional Framework for the National Legal Regime for Climate Change

Constitutional Position

The CCRA and the RMA are not part of New Zealand's "unwritten" constitution and are not "entrenched", which means they can be repealed with a 50% majority in parliament.

New Zealand's constitutional framework, with its separation of powers between the judiciary and parliament, means climate change is in the domain of a political and policy response. While other countries have seen courts adjudge constitutional and human rights issues with regard to climate change, including holding governments responsible for inaction on climate mitigation, New Zealand's legal system has not previously provided for this. However, a recent Supreme Court decision may result in a shift in that situation. In *Smith v Fonterra Co-Operative Group Ltd*, the Supreme Court declined to strike out claims in nuisance, negligence and a proposed novel tort of "climate system damage" against seven corporate defendants who were each involved in either an industry that emits greenhouse gases or one that manufactures and supplies products that emit greenhouse gases when used. Whether the claim will ultimately be successful remains to be seen, but this case represents the potential evolution of the common law on climate change in New Zealand.

2.3 National Legal Regime

Stance on Primacy Climate Change Issues

Mitigation

Domestically, New Zealand has taken a number of steps towards climate change mitigation. It has:

- legislated emissions reduction targets;
- implemented an "emissions budget" system, setting out the pathway to its emissions targets in five-year periods;
- implemented an "emissions reduction plan" (ERP) system, under which it communicates to the public

its proposed policy initiatives for each emissions budget period prior to the beginning of that period;
- implemented a domestic "emissions trading scheme" (ETS), which aims to incentivise emissions reduction and sequestration;
- signalled an intention to establish a "split gas" emissions pricing system for "on-farm" agricultural emissions by 2030; and
- created He Pou a Rangi – the Climate Change Commission (Climate Change Commission) to provide independent advice to the government on emissions budgets, climate mitigation, and adaptation strategies to assist it achieving its climate change targets and to hold the government accountable through the public release of the Climate Change Commission's advice.

Adaptation and capacity building

In 2022, the New Zealand government released its first National Adaptation Plan (NAP) for the period 2022–2028, which considers the effects of climate change now and into the future and sets out how the country will adapt to these under proposed strategies, policies, and actions.

This includes addressing risks (identified in the first National Climate Change Risk Assessment (NCCRA), released in 2020) to:

- the natural environment, by managing risks to ecosystems and biodiversity due to climate change;
- homes, buildings, and places, by mitigating climate change risks to existing homes and places where possible, and ensuring that climate hazards are considered when making urban development decisions;
- infrastructure, by reducing the vulnerability of assets exposed to climate change, and ensuring that all new infrastructure is fit for a changing climate;
- communities, by supporting communities facing climate-related disruption and disasters, and educating communities on climate change issues to enable those communities to adapt and participate in local decisions; and
- the economy and financial systems, by giving businesses the tools and information they need to respond to climate risks, and to lower the barriers to adaptation and innovation addressing those risks.

The government has also signalled its intention to develop a climate adaptation model, which will include frameworks for investment and cost-sharing, roles and responsibilities, and climate risk and response information sharing. It is currently considering how to implement this, following completion of an inquiry into climate adaptation in October 2024.

Climate Change Response Act 2002

The CCRA was enacted in response to the 1992 Kyoto Protocol. Its purpose is to:

- enable New Zealand to meet its international obligations under the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement;
- provide for the implementation, operation, and administration of a greenhouse gas emissions trading scheme in New Zealand that supports and encourages global efforts to reduce the emission of greenhouse gases; and
- provide for the imposition, operation, and administration of a levy on specified synthetic greenhouse gases contained in motor vehicles and another levy on other goods to support and encourage global efforts to reduce the emission of those gases.

Under subsequent amendments, the CCRA now also:

- regulates the ETS;
- requires the government to prepare ERPs, NCCRAs, and NAPs; and
- establishes the Climate Change Commission and mandates it to provide advice to the government on emissions budgets, climate mitigation and adaptation strategies to achieve its climate change targets.

As part of the CCRA amendments that occurred in 2019, the following domestic emissions reduction targets were enshrined within the legislation:

- net zero greenhouse gas emissions (other than biogenic methane) annually by 2050;

- 10% less biogenic methane emissions than 2017 levels by 2030; and
- 24–47% less biogenic methane emissions than 2017 levels by 2050.

Domestic Targets

New Zealand's long-term climate targets are set under the CCRA, including a split-gas approach distinguishing between long-lived greenhouse gases and biogenic methane.

In December 2025, the biogenic methane component of the 2050 target was amended. The current statutory target requires:

- a reduction in biogenic methane emissions of 14–24% below 2017 levels by 2050; and
- a 10% reduction below 2017 levels by 2030 (unchanged).

This replaces the previous 2050 target range of 24–47% below 2017 levels. The revised target reflects a policy shift towards an objective of "no additional warming" from biogenic methane, and is intended to balance emissions reduction objectives with maintaining agricultural productivity.

The net zero target for long-lived gases by 2050 remains unchanged.

The government is also required to review the 2050 targets periodically, including a further review of the methane target scheduled for 2040. These changes are expected to have ongoing implications for the agriculture sector and the overall trajectory of emissions reductions in New Zealand.

Resource Management Act and Planning Framework

The Resource Management Act 1991 (RMA) remains the principal statute governing the use of land, air and water, including the consideration of climate change effects in planning and consenting decisions.

Under the RMA, decision-makers are required to:

- have particular regard to the effects of climate change; and
- recognise and provide for the management of significant risks from natural hazards.

Amendments in 2020 removed previous restrictions on considering the effects of greenhouse gas emissions in planning processes and require decision-makers to have regard to national climate policy instruments such as emissions reduction plans and national adaptation strategies.

However, New Zealand's resource management system is currently undergoing significant reform.

In December 2025, the government introduced two Bills intended to replace the RMA:

- a Planning Bill, which will regulate land use and development; and
- a Natural Environment Bill, which will regulate the use and protection of natural resources.

These reforms are expected to simplify planning processes, reduce the number of plans and consents required, and introduce a more standardised and streamlined national system. The legislation is expected to be enacted in 2026, with staged implementation over a multi-year transition period.

In parallel with this longer-term reform, the government has implemented a number of transitional measures, including:

- the Fast-Track Approvals Act 2024, which establishes an alternative consenting pathway for projects of regional or national significance. The fast-track regime has been further amended (effective 2026) to streamline application processes, reduce consultation requirements and shorten decision-making timeframes; and
- targeted amendments to the RMA, including extensions to consent durations and measures to facilitate infrastructure and renewable energy development.

While the RMA remains in force for now, the system is in a transitional phase. Climate change considerations remain relevant to planning and consenting decisions, but the manner in which these considerations are addressed is likely to evolve as the new planning framework is implemented.

2.4 Key Policy/Regulatory Authorities

Key Regulatory Bodies

Ministry for the Environment

The Ministry for the Environment is responsible for several key aspects of the country's environmental management, including:

- conducting research, analysis and consultation processes to inform policy developments, including advising on and implementing the ERP and the NAP;
- leading and coordinating climate change policy efforts in New Zealand, including those to address climate change mitigation, adaptation and resilience; and
- collecting and analysing data on greenhouse gas emissions and climate change impacts in New Zealand, including producing national greenhouse gas inventories and reports on progress towards meeting emissions reduction targets.

Environmental Protection Authority

The Environmental Protection Authority (EPA) is responsible for:

- administering and regulating the ETS, including setting emission unit caps, managing the registry, monitoring compliance, and providing guidance to participants in the ETS; and
- assessing and providing approval for certain applications regarding activities that have potential environmental impacts, including those related to climate change.

Climate Change Commission

The Climate Change Commission is not a regulatory body but an independent Crown entity that advises the government on climate change policy within the framework of the CCRA. Its purpose is to:

- provide independent, expert advice to the government on mitigating climate change (including through reducing emissions of greenhouse gases) and adapting to the effects of climate change, including preparation of the NCCRA; and
- monitor and review the government's progress towards its emissions reduction and adaptation goals.

Ministry of Business, Innovation, and Employment & Energy Efficiency and Conservation Authority

The Ministry of Business, Innovation, and Employment implements policies that reduce emissions in the energy and industry sectors, and oversees the EECA, the agency responsible for New Zealand's transition towards a sustainable energy system (underpinned by clean energy use). In particular, the EECA is responsible for:

- ensuring that products and vehicles sold in New Zealand meet energy and fuel efficiency standards; and
- educating New Zealanders on climate change issues and on leading low-carbon lives through its "Gen Less" brand.

Ministry for Primary Industries

The Ministry for Primary Industries implements and regulates policies in the primary sector. This includes:

- providing guidance related to the eligibility, accounting, and reporting of emissions offsets through forestry and other sequestration activities; and
- developing an emissions pricing system for the agricultural sector.

Local government

Regional and district councils are the regulatory authorities at "local" government level that implement the RMA through the development of regional policy statements, regional plans, and district plans, and decisions on resource consent applications. These councils' decisions on both plans and consents can be appealed to the Environment Court. Proposals deemed to be of national significance may be "called in" to be determined directly by either the Environment Court or a Board of Inquiry appointed by the Environmental Protection Agency.

There are also other bespoke plan-making and consenting processes that might see a change to a plan, or a consent, considered by the Environment Court at first instance, rather than a council.

Regional and district councils' knowledge and capacity to manage climate change mitigation and climate change impacts varies widely, particularly as the mandatory requirements to have regard to the ERP and the NAP have only been in force since 30 November 2022, and many councils are still building knowledge and resources.

2.5 Bilateral/Multilateral Co-Operation Under the Paris Agreement

2.5.1 Article 6.2 – Internationally Transferred Mitigation Outcomes

Bilateral Agreements

While New Zealand has not entered into any formal agreements pursuant to Article 6.2 of the Paris Agreement, it has entered into agreements that contemplate climate change matters with Paris Agreement partners, including the following:

- The EU–NZ Free Trade Agreement, which concluded in June 2022, and which contained key provisions relating to labour standards, gender equality, climate change, emissions trading, environmental goods and services, forests, fisheries subsidies, and fossil fuel subsidy reform. Such an agreement is significant, as it represents the first time that the EU has made commitments in a trade agreement to refrain from granting or maintaining harmful fisheries subsidies. It also contains the EU's first trade agreement article on fossil fuel subsidy reform.
- The UK–NZ Free Trade Agreement, which underscored the importance of other multilateral avenues for advancing climate goals. The agreement explicitly recognises the commitments of the Paris Agreement to achieve net-zero emissions and the commitments of the 26th UN Climate Change Conference of Parties (COP26) to phase out "inefficient subsidies" for all fossil fuels. New Zealand also included in the agreement the importance of creating a platform to co-operate on issues of relevance to Māori, reinforcing the broader COP26 theme of protecting indigenous rights.

2.5.2 Article 6.4 – The Paris Agreement Crediting Mechanism

Paris Agreement Crediting Mechanism

The Ministry for the Environment is New Zealand's designated national authority to deal with the Paris Agreement Crediting Mechanism (PACM). New Zealand has been actively involved in the development of PACM, and has made submissions on its rules, modalities and procedures.

While New Zealand has been actively involved in the development of PACM, it has not yet announced its intentions regarding its involvement in the mechanism once launched, nor whether it will replace, or, otherwise, how it will interact with, the ETS.

2.5.3 Article 6.8 – Non-Market Approaches

Non-Market Mechanisms

New Zealand has been involved in the work programme being implemented by the Glasgow Committee on Non-Market Approaches. However, it has not been advocating for any specific forms of non-market mechanisms.

2.6 Climate Litigation

Climate change-related litigation is an emerging feature of New Zealand's legal landscape. However, litigation in this particular area is still considered novel in New Zealand, and there are currently very few clear legal pathways litigants can pursue for climate change recourse. Climate-related litigation has so far tended to be between climate activists and organisations whose actions are seen to be contributing to climate change, in an attempt to enforce accountability – activism through litigation. The extent to which climate issues can be litigated varies depending on the nature of the claim and the persons involved. Generally, New Zealand's climate change litigation can be split into two strands. The first is litigation between the public and the government. The second is between private individuals.

Climate Litigation Between the Public and the Government

The major aim of climate litigation between the public and the government in New Zealand has so far been to compel government organisations to uphold their commitments to better climate outcomes and ensure consistency of policy. Judicial review is the primary mechanism through which climate-related decisions made by the government can be challenged and tested. In the latter half of 2024, the Better New Zealand Trust issued proceedings against the Minister for Transport, questioning whether the government's decision to change the "Clean Car Standard" (which aims to reduce CO2 emissions of imported vehicles) was consistent with New Zealand's emissions reduction plan (which was required by the CCRA) and increasing the supply of zero and low emission vehicles. The courts are yet to release a decision on this case.

It is worth noting that judicial review is inherently limited. New Zealand's constitutional structure grants parliamentary "supremacy", which limits the courts' ability to make enforceable orders against the government. This limits the extent to which litigation can effectively influence government decision-making on climate-related issues.

Climate Litigation Between Private Individuals

There are currently no existing climate-specific courses of action in New Zealand. Litigants are forced to rely on other courses of action, such as a tortious claim of negligence or a claim for breach of environmental consents or breach of contract.

However, this may change with *Smith v Fonterra Co-Operative Group Limited*& *Others*. In *Smith v Fonterra*, the claimant brought a claim against seven high-emitting New Zealand companies in the agriculture and energy sector, claiming that the defendant's actions (which allegedly resulted in climate damage) constituted public nuisance, negligence and a novel climate change damage tort: a breach of duty to "cease contributing to climate change". These claims were struck out by the Court of Appeal on the basis that allowing them would introduce an "ad hoc way of addressing climate change". However, the Supreme Court subsequently granted leave to appeal, indicating its willingness to engage with the existence of this type of action against private companies. This development has the potential to establish a new climate-specific tortious action in New Zealand. This appeal has not yet proceeded to a hearing, and it is not expected to be decided for several years.

3. Responses to International Developments

3.1 Voluntary Carbon Markets

Voluntary Carbon Markets

Voluntary carbon offsetting is not specifically regulated in New Zealand, although there is active policy development in this area and the government has issued guidance on what should be adhered to for a voluntary carbon-offsetting claim to be credible, as well as examples of how voluntary carbon offsetting by organisations and individuals can be applied in the context of New Zealand.

The six principles that must be met for any claims of voluntary climate change mitigation require that the mitigation be:

- transparent;
- real, measurable, and verified;
- additional;
- not double used;
- inclusive of addressing any leakage; and
- permanent.

Surrendering units as part of a legal requirement under the ETS is not voluntary climate change mitigation and cannot be claimed as such.

New Zealand Emissions Trading Scheme

The New Zealand Emissions Trading Scheme (ETS) is the primary mechanism used to price greenhouse gas emissions and incentivise emissions reductions and removals. It operates as a "cap and trade" system based on the allocation, auctioning and surrender of New Zealand Units (NZUs).

Recent reforms have reshaped the structure and operation of the ETS, reflecting a broader recalibration of climate policy settings.

Key recent changes include:

- Greater domestic focus – legislative amendments remove the requirement for ETS unit settings (including auction volumes and price controls) to align with New Zealand's international commitments under the Paris Agreement. The ETS is now explicitly directed toward achieving domestic emissions budgets and the 2050 target.

- Adjustment to settings process – the process for reviewing ETS unit volumes and price control settings is transitioning from annual to less frequent (generally biennial) updates, providing increased stability for market participants.
- Changes to unit supply and market settings – the government has reduced the number of NZUs available through auction over the medium term, in part to manage surplus units and support price signals.
- Expanded scope of removals – the government is developing frameworks to recognise a broader range of carbon removals beyond traditional forestry activities, including nature-based and technological sequestration methods.
- Operational flexibility – amendments introduce greater administrative flexibility in areas such as compliance, reporting timelines and management of disruptions affecting participants.

The ETS continues to play a central role in New Zealand's emissions reduction framework. However, recent reforms indicate a shift toward increased flexibility, greater reliance on domestic mechanisms, and a rebalancing of the role of forestry and removals relative to gross emissions reductions.

Carbon Removals Assessment Framework

The government has also introduced a Carbon Removals Assessment Framework to enable recognition of a broader range of sequestration activities beyond forestry. These include wetland restoration, peatland rewetting and other nature-based or technological removal mechanisms. This represents a significant expansion of the policy approach to carbon removals, and is expected to open new opportunities for landowners and project developers.

3.2 Carbon Pricing and Trade Impacts

European Union Carbon Border Adjustment Mechanism (CBAM)

Cement, aluminium, fertilisers, electricity, hydrogen, iron and steel exports to the EU from New Zealand will have to report, and eventually pay for (where required), the embedded carbon emissions in those products. This is to occur on the same basis as where those products are exported to the EU by other countries.

While this is estimated to only impact <0.20% of New Zealand's exports at this stage, these sectors will likely be required to pay the carbon tariff (once payments are required) as the price of emitting in the EU's emissions trading scheme has historically been higher than in New Zealand's ETS.

Should the EU decide to extend the scope of CBAM to agriculture in the future, it will have a much greater effect on New Zealand.

4. Liability for Climate Change and ESG Reporting

4.1 Liability for Climate Change and ESG Reporting

Mandatory Climate-Related Financial Disclosures

In 2023, New Zealand passed legislation making climate-related disclosures mandatory for large publicly listed companies, insurers, banks, non-bank deposit takers, and investment managers. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 required around 200 large financial institutions to start making climate-related disclosures from 1 January 2023.

Reporting is required against climate standards issued by the External Reporting Board (XRB). These climate standards are based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The standards include:

- Aotearoa New Zealand Climate Standard (NZ CS) 1: Climate-Related Disclosures (NZ CS 1);
- NZ CS 2: Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and
- NZ CS 3: General Requirements for Climate-Related Disclosures (NZ CS 3).

The Climate Reporting Entities (CREs) subject to the regime include:

- all registered banks, credit unions, and building societies with total assets of more than NZD1 billion at their two preceding year-end balance dates;
- all licensed insurers with greater than NZD1 billion in total assets (including any subsidiaries) as at their two preceding year-end balance dates and/or annual premium revenue exceeding NZD250 million in each of their two preceding year-end balance dates;
- listed issuers of quoted equity securities that had (quoted or unquoted) equity securities with a total value, as implied by the market price or fair value, exceeding NZD1 billion as at their two preceding year-end balance dates; and
- listed issuers of quoted debt securities that had quoted debt securities with a total face value exceeding NZD1 billion at any time in their two preceding accounting periods.

In addition, Crown Financial Institutions with greater than NZD1 billion in total assets under management are required to produce climate-related disclosures.

The relevant threshold for capturing listed companies increased in March 2026 (with transitional regulatory relief applied during implementation) from those with a market capitalisation of NZD60 million to NZD1 billion in each of the two preceding reporting periods, provided that the entity remains listed in the current period. Managed investment schemes also no longer fall within the scope of the regime. This change halved the number of reporting entities from approximately 164 to 76, significantly narrowing the scope of mandatory disclosures. Entities that fall below the new threshold may still choose to report voluntarily.

The goal of mandatory climate-related disclosures is to:

- ensure that the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions;
- help climate reporting entities better demonstrate responsibility and foresight in their consideration of climate issues; and
- lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.

Relationship With IFRS S1 and S2 Disclosure Standards

As New Zealand's climate standards were released before the IFRS standards, they were prepared based on the recommendations of the Task Force on Climate-Related Financial Disclosures.

Since the release of the IFRS standards, the XRB has undergone a comparison of the New Zealand standards against the IFRS standards and has now publicly released a comparison document (Comparison Document).

In regard to alignment between the documents, the Comparison Document states that:

- the core content of NZ CS 1 is consistent with that of IFRS S2 (ie, the four pillars in both documents are governance, strategy, risk management, and metrics and targets); and
- the key concepts and general requirements in NZ CS 3 and IFRS S1, such as the principles of materiality and fair presentation, are also well aligned.

However, the Comparison Document provides that there are also many differences in detail which mean that, if a reporting entity applies the IFRS standards, it may not necessarily comply with New Zealand standards, and vice versa. In several areas, there are in fact substantive differences in terms of the underlying approach, analysis or effort required by reporting entities to ensure compliance. It is important that reporting entities unfamiliar with New Zealand's climate standards (or vice versa) refer to this document when seeking to comply with the other set of standards.

4.2 Directors' Climate Change Liability

Under New Zealand's current statutory framework, there are no specific requirements mandating directors to consider the impacts of climate change in their decision-making. However, a 2023 amendment to section 131 of the Companies Act 1993 introduced, in clear terms, that directors may consider factors other than the maximisation of profit when determining what constitutes the "best interests" of the company. This amendment explicitly includes "environmental factors" as an example of such additional considerations. Notwithstanding that section 131 was only amended recently, the current government has pledged to repeal the changes made in 2023. This repeal was made on the basis that directors were already permitted to consider environmental, social and governance considerations when making decisions (provided that doing so was not contrary to the constitution of the company) and that, therefore, the recent changes were redundant.

There is currently no New Zealand case law in which a director has been found liable (under the Companies Act, other legislation, or at common law) for climate change impacts. However, the upcoming hearing of *Smith v Fonterra Co-Operative Group Limited* will go some way to determining the liability of New Zealand companies in this respect. In a recent decision, the Supreme Court of New Zealand declined to strike out claims in nuisance, negligence and a proposed novel tort of "climate system damage" against seven corporate defendants who were each involved in either an industry that emits greenhouse gases or one that manufactures and supplies products that emit greenhouse gases when used. Whether the claim is ultimately successful remains to be seen, but this case represents the potential evolution of the common law on climate change in New Zealand.

4.3 Shareholder or Parent Company Liability

A limited liability company is the most common type of company in New Zealand. It is a separate legal entity and is called a limited liability company because the liability of the shareholders is limited to the amounts provided to the company in return for shares.

Shareholders of limited liability companies are not liable for the company's debts or liabilities as the company itself is responsible for these. Accordingly, shareholders are not liable for climate change damage or breaches of climate change law.

4.4 Social Context

In New Zealand, a combination of economic, cultural and regulatory narratives is shaping how corporates and government respond to climate change.

A central consideration is the relationship between the country's "clean, green" international brand and its overall emissions profile, including emissions from the agriculture sector. This creates ongoing expectations for both government and corporates to demonstrate credible climate leadership, particularly in export markets where sustainability standards are evolving. At the same time, agriculture's significant economic role means there is ongoing attention to maintaining competitiveness and managing the potential impacts of regulatory change across the sector.

There is also growing focus on the distributional impacts of climate policy. Public debate increasingly centres upon cost-of-living pressures and who bears the cost of transition, which has moderated the pace and ambition of some policy settings and influenced corporate pricing and investment decisions.

Māori perspectives, particularly concepts of *kaitiakitanga* (stewardship) and intergenerational responsibility, are an important influence. These perspectives are shaping expectations that climate responses align with Te Tiriti principles and adopt a longer-term, holistic approach to environmental governance.

In addition, the increasing visibility of climate-related events, such as flooding and coastal erosion, has reframed climate change as a tangible risk issue. This has heightened expectations around resilience, adaptation, and climate risk disclosure, reinforced by New Zealand's mandatory climate-related financial disclosure regime.

Finally, global market and regulatory pressures, including investor expectations and carbon-related trade measures, are pushing both government and corporates toward more robust and transparent strategies.

5. Transactions

5.1 Due Diligence

For M&A and financing transactions, the level and scope of climate change due diligence will depend on the business or underlying assets being acquired or financed and/or the regulatory framework that applies to the relevant business. Unless a business or the underlying assets are particularly at risk to the effects of climate change, or the entity is regulated by New Zealand's climate change legislation, there is no generally accepted standard of climate change due diligence for M&A or financing transactions. Where climate change due diligence is required, a lender will rely on the relevant borrower to complete the required due diligence, and may seek reliance on any formal reports prepared by the borrower's advisers in this respect.

For a property transaction, climate change due diligence work focuses on consultation with and receiving information from relevant local authorities about a particular property's susceptibility to adverse weather and its effects. Such weather events are becoming increasingly common as a result of climate change, and due diligence would typically involve investigations into a particular property's susceptibility to flooding, subsidence, coastal erosion and other similar weather events. Due diligence would also involve discussions with a vendor of an area to gain insight into historical weather patterns. The property title will also be checked to see whether any part of the property has been registered in the ETS.

6. Climate-Friendly Investment Support

6.1 Renewable Energy

New Zealand already has a relatively low-emitting electricity system, with 87% of electricity generated in 2022 coming from renewable sources. To ensure that the country continues to meet demand for electricity while phasing out fossil fuels, the Climate Change Commission has suggested that generation that can supply over 1TWh per year will need to be built. While the new government has discarded the previous government's plans to build a NZD16 billion pumped hydro scheme and hydroelectric battery on the South Island's Lake Onslow, it has signalled its intent to continue to invest in New Zealand's renewable energy infrastructure and to amend the RMA to include measures that will help increase renewable energy. The Bill governing the new government's policies in this area and is expected to be introduced at the end of 2024.

6.2 Other Support

New Zealand does not provide policy/regulatory and/or other support for the uptake of other forms of climate-friendly investment.

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