

Unpacking the Emissions Reduction Plan

MAY 2022



New Zealand's net zero future is a step closer with the release of the Emissions Reductions Plan (ERP), which outlines how the Government will achieve the first set of emissions budgets out by 2035, and provides detail on how each sector is to reduce its emissions.

Emissions budgets are recommended by the Climate Change Commission and set by the Government. An emissions budget is a total quantity of emissions that is allowed to be released during an emissions budget period. Emissions budgets will act as stepping stones to reaching New Zealand's 2050 target.

What businesses need to know

The first emission reduction plan will spend \$2.9 billion from the Climate Emergency Fund, however the Government recognises it only holds certain levers. As such, it is reliant on collaboration and partnerships with the private sector, iwi and Māori, communities, NGOs and civil society to give life to the plan.

Key investments include:

- \$338 million for research into new technologies to reduce agricultural emissions to bridge the gap between existing agricultural emissions research and actual on-farm implementation
- \$652 million in subsidies to help industry and business decarbonise by replacing coal boilers with alternative power sources
- Nearly \$100 million to incentivise native forests by supporting bursaries and seed plantations
- \$375 million for active and public transport to get people out of cars
- \$569 million for a vehicle scrapping scheme

Key strategies for business include a national energy strategy, a national EV-charging infrastructure strategy, a transport climate research plan, a gas transition plan, a hydrogen roadmap, an action plan for decarbonising the industrial sector, a New Zealand Energy Efficiency and Conservation Strategy and a forestry and wood processing industry transformation plan.

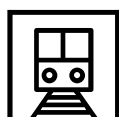


Of other significance is:

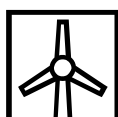
- Silence in the plan on congestion charging.
- A ban on new fossil gas connections to homes from 2025 and a ban on the import of fossil fuel vehicles by 2035.
- A target that 50% of energy used in New Zealand (including, petrol, diesel, coal, gas and oil) will come from renewable sources by 2035.
- New coal boilers will be banned by the end of 2022 and existing low-and-medium temperature boilers will be phased out by 2037.
- By 2035, all new cars will have low or zero emissions, and significant progress will have been made to decarbonise more challenging transport modes, such as trucks, ships and planes.
- New buildings will face more stringent energy efficiency standards and existing buildings may face energy performance mandates.
- Food waste could be banned from landfills by 2030 if alternatives are found.
- The New Zealand Emissions Trading Scheme will be updated to reflect the sequestration benefits of native trees to further incentivise their growth.
- A focus on growing the bioeconomy and using short rotation exotic forests that can sequester carbon in the short term and be used as biomass to offer alternatives to coal for process heat.
- The inclusion of biodiversity impacts in reporting on the progress of the Emissions Reduction Plan.
- \$3.6 million was earmarked for a Government-managed voluntary carbon market.

Sub-sector targets

The ERP outlines aspirational sub-sector targets to help track progress across key sectors over each emissions budget period. It notes that while sub-sector targets are a useful tool for checking progress, they aren't intended to lock New Zealand into a single pathway to meet emissions budgets. Please note: these are not targets that sectors themselves are responsible for.



Transport



Energy and industrial processes



Agriculture



Forestry



Total

	Transport	Energy and industrial processes	Agriculture	Forestry	Total
First Emissions Budget (2022-25)*	65.9	70.1	159.4	-26.4	290.0
Second Emissions Budget (2026-30)	76.0	72.8	191.0	-57.2	305.0
Third Emissions Budget (2031-35)	56.8	63.3	183.0	-81.6	240.0
Relevant agency or agencies	Ministry of Transport	Ministry of Business, Innovation and Employment	Ministry for Primary Industries	Ministry for Primary Industries	Climate Change Chief Executives Board
Responsible Minister	Minister of Transport	Minister of Energy and Resources	Minister of Agriculture	Minister of Forestry	Prime Minister

*expressed in Mt CO2-e

Essential building blocks for net zero transformation

PwC has defined nine key building blocks for corporate net zero transformation. Whether your business is just starting out on its net zero journey, or has a clearly defined roadmap waiting to be implemented, PwC New Zealand's Sustainability and Climate Change team can help.

1 Ambition

Alignment of ambition to achieving global net zero by no later than 2050, underpinned by science-based targets approach to limit warming to 1.5°C of warming. Define what good practice on ambition looks like.

ACTION

- Undertake a net zero readiness assessment
- Set a net zero vision using a science-based approach
- Measure total emissions
- Develop a credible carbon offset approach

2 Accountability

Oversight and accountability for net zero driven through the entire business, including at the highest levels, supported by good governance and backed by evidence.

ACTION

- Those at highest level of organisation assume responsibility for delivering net zero transformation
- Establish net zero and climate change as standing agenda items at executive level
- Assign management oversight of net zero transformation
- Evaluate net zero incentives structure

3 Strategy

Net zero is embedded into the strategy, to maximise value and build resilience in a changing climate, to maximise value, create a differentiated position, and build resilience

ACTION

- Understand how net zero is changing market dynamics and value
- Assess capabilities required to succeed under net zero future
- Identify options to deliver net zero strategy
- Develop business case to deliver net zero strategy

4 Enterprise transformation

Business is structured to achieve net zero with the operating model designed to deliver net zero targets, and explore carbon positive business models.

ACTION

- Establish clear structure of responsibilities and accountabilities to deliver net zero
- Harness culture and people
- Establish policies, processes and a measurement framework to deliver net zero transformation

5 Supply chains

Net zero integrated across the whole supply chain to build a well connected, smart, efficient and low carbon supply chain ecosystem. Includes adapting supply chain strategy, aligning with existing transformation efforts, and supporting the supply chain to decarbonise

ACTION

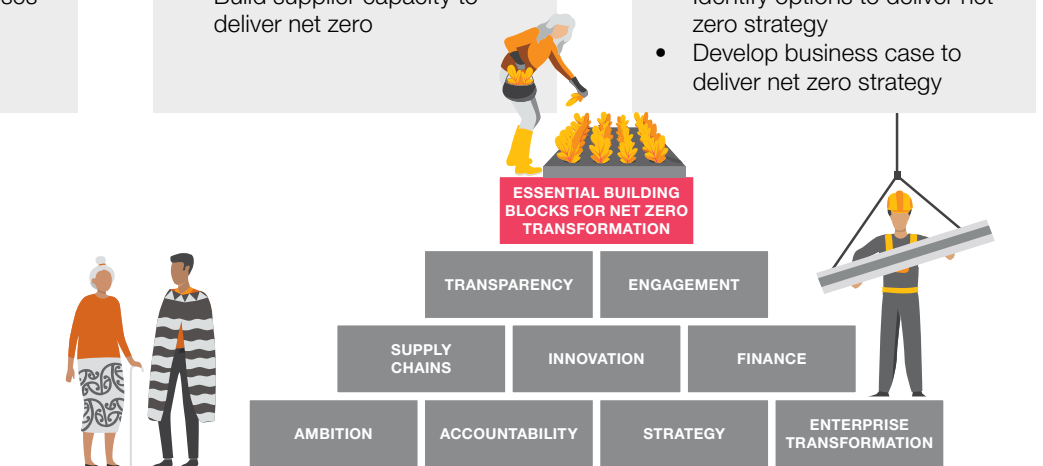
- Assess emissions and climate impacts across whole supply chain
- Incentivise suppliers to reduce emissions
- Build supplier capacity to deliver net zero

6 Innovation

Business invests in R&D and builds innovation into ways of working to harness emerging technologies and develop new solutions to deliver net zero at pace.

ACTION

- Understand how net zero is changing market dynamics and value
- Assess capabilities required to succeed under net zero future
- Identify options to deliver net zero strategy
- Develop business case to deliver net zero strategy



7 Finance

Substantial commitment and willingness to finance net zero transformation through existing and new finance functions and modalities.

ACTION

- Develop investment strategy
- Embed into corporate finance decision making
- Identify and prioritise sources of financing

8 Transparency

Provides transparent and balanced information on progress against net zero ambition, including business transformation

ACTION

- Communicate your net zero strategy
- Disclose progress against your net zero strategy
- Disclose with clarity and transparency

9 Engagement

Engages and influences stakeholders across ecosystems to enable change at pace and scale.

ACTION

- Develop engagement strategy
- Inspire and lead by example
- Influence value chain



About us

The issues and opportunities of sustainability and climate change have become critical elements that every Board and Executive team needs to factor into strategic planning and long term decision making. We help clients integrate sustainability into their long-term strategic vision. We ensure this vision fosters innovation and employee engagement, improves efficiency and returns, ensures greater risk resilience and high quality decision-making, paving a road to sustainable long-term growth and profitability.



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