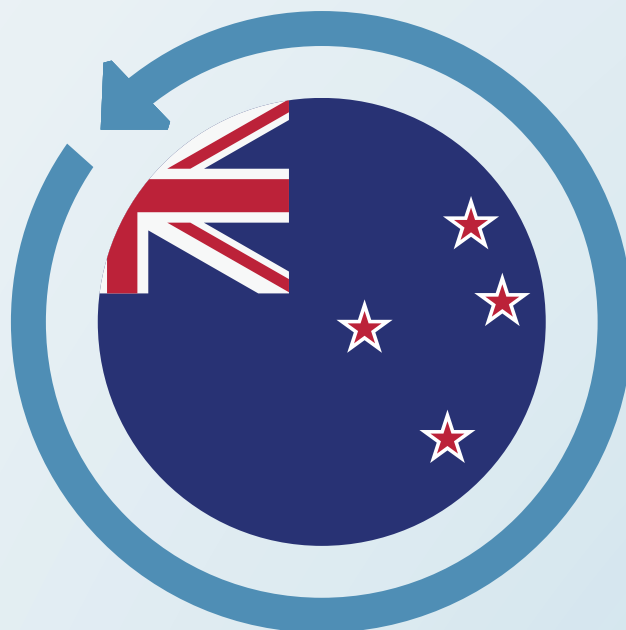




Climate Action Tracker

New Zealand:
three years of systematic climate policy rollbacks
October 2026

Introduction

As New Zealand approaches its 2026 general election on November 7, it is important to reflect on the recent adverse changes in climate policies. Overall, climate action and policy is central to the country's economic resilience, energy security and ability to adapt to a warmer and more volatile world.

Yet over the past three years, the conservative government, elected in late 2023, has systematically rolled back key parts of New Zealand's climate policy framework. It has weakened the country's 2050 methane target despite agriculture being the country's largest source of emissions, removed legal requirements for emissions trading settings to support meeting international climate commitments, reopened the door to offshore oil and gas exploration, and stepped back from planned agricultural emissions pricing.

The government's latest climate targets, submitted last year, reflect this broader weakening of climate ambition. New Zealand's 2035 NDC is not aligned with a 1.5°C pathway. The gap between the target and a 1.5°C-compatible modelled domestic pathway is wider than it was for 2030, and the new target would allow emissions to rise after 2030. The next government will inherit this gap, along with the fiscal, economic and climate risks that come with it. By any international comparison, the list of climate policy rollbacks and reversals is staggering. The other two comparable examples the Climate Action Tracker has analysed are the [United States](#) and [Canada](#).

Meanwhile, the impacts of climate change are hitting hard. Cyclones Gabrielle and Hale, along with more frequent extreme rainfall and flooding, have shown how climate impacts can damage infrastructure, strain public finances, reduce property values and disrupt communities. Between March 2025 and February 2026, the insurance industry reported that an extreme weather event [hit the country every eight days](#).

For New Zealand, accelerating the renewable energy transition would improve energy security, reduce exposure to global price shocks and support increasingly cost-competitive energy. The choice facing New Zealand is therefore not between climate action and economic prosperity. It is between managing the transition deliberately now, or paying more later through higher climate damages, greater fiscal pressure and missed investment opportunities.

In this briefing, we set out the problems with the country's climate policies, and some recommendations for whichever government is elected.

New Zealand's emissions targets are drifting further from limiting warming to 1.5°C

New Zealand has climate targets for 2030 and 2035, both committed under the Paris Agreement. It aims to reduce net emissions by 50% below 2005 gross levels by 2030 and 51–55% by 2035.

The CAT excludes emissions from land use, land use change and forestry (LULUCF) from these targets, resulting in approximately 57-60 MtCO₂e in 2030 (29-33% below gross 2005 level) and 55-63 MtCO₂e in 2035 (26-35% below gross 2005 level), which is not aligned with a 1.5°C-compatible modelled domestic pathway. A 1.5°C-compatible pathway would require New Zealand's emissions to fall to around 56 MtCO₂e by 2030 and 49 MtCO₂e by 2035.

The 2035 NDC does little to strengthen New Zealand's emissions trajectory beyond 2030. In fact, the gap between the target and a 1.5°C-compatible modelled domestic pathway is wider than it was for 2030. The target may allow for higher gross emissions than its 2030 target, as its upper end is above the upper range of the 2030 target.

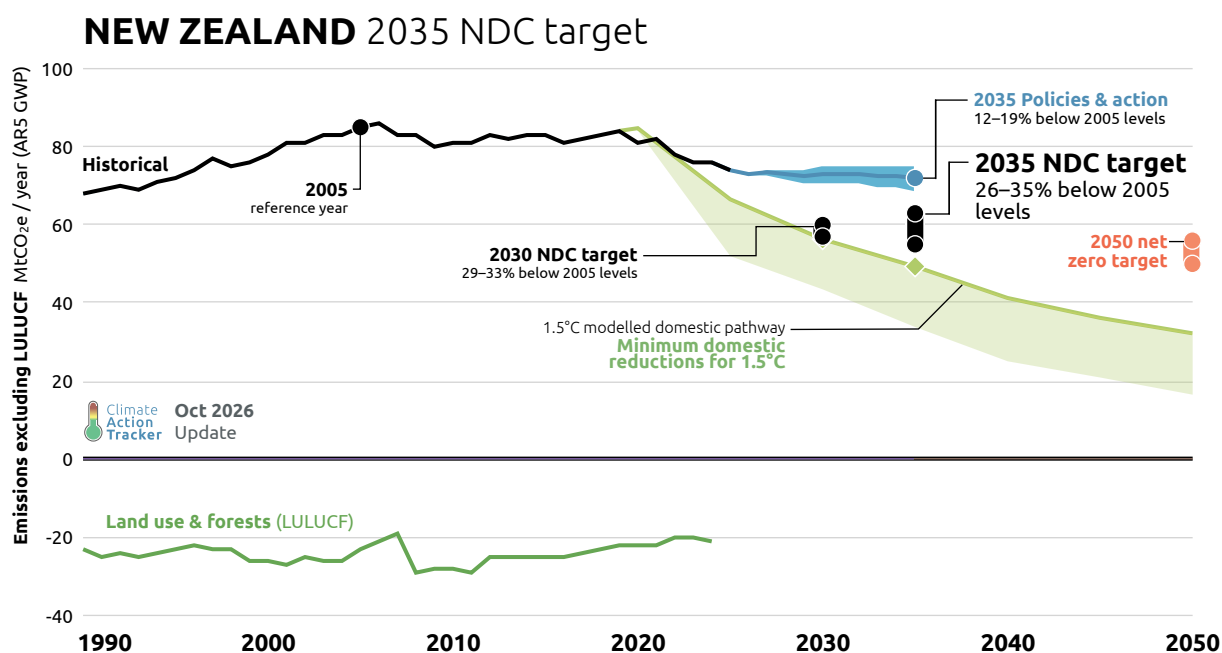


Figure 1 Overview of New Zealand's current climate targets compared to historical emissions and projections for current policies (Policies & action).

Our current policy projections indicate that New Zealand is not on track to achieve its 2030 or 2035 target. Under current policies (excluding the forestry and land sink), emissions will be around 71–75 MtCO₂e by 2030 (13–17% below 2005 levels) and 69–75 MtCO₂e (12–19% below 2005 levels) by 2035.¹ That would put New Zealand roughly 27–33% above a 1.5°C-compatible level by 2030, and around 40–52% above it by 2035. Consistent with our finding, the [independent Climate Change Commission](#) (CCC) also casts doubt on whether New Zealand's current policy trajectories will be able to meet its Paris targets.

Recent policy choices have weakened New Zealand's climate policy framework

The rollback of policies under the current government is moving the country further from meeting the Paris Agreement's temperature goal.

In agriculture, which accounts for more than half of New Zealand's emissions, the government has abandoned plans for on-farm agricultural emissions pricing by 2030. It has instead shifted towards unproven mitigation technologies and market-led incentives, while also weakening the 2050 methane target. It has revised the 2050 methane target to 14–24% below 2017 levels, nearly halving the previous 24–47% methane reduction target.

Transport tells a similar story. New Zealand has made it easier to build electric vehicle chargers — a useful step — but at the same time it has weakened the policies that incentivise people to buy cleaner cars. Softer rules of the country's first-ever Clean Vehicle Standard (2023) for vehicle importers mean less pressure to bring in low-emissions models.

After the government removed the Clean Car Discount, introduced charges for electric vehicle road users, and increased ACC Levy costs, electric vehicle sales [fell sharply](#): from about 15% of new car sales in 2023 to around 5% in 2024 and 2025. Sales have ticked up again recently, driven more by fuel price worries (linked to the closure of the Strait of Hormuz) than by any policy signal.

¹ In our projections, the current policy projections combine estimates from different sources to better reflect current policy development. The lower bound uses the government's low-emissions estimates for energy-related and other CO₂ emissions, and US EPA projections for non-CO₂ emissions. The upper bound uses APERC projections for energy-related CO₂ emissions and the government's high-emissions estimates for other CO₂ and non-CO₂ emissions. Government's emissions projections are released annually in December, and we used its 2025 release for this year's projections.

Industry shows what New Zealand risks losing and what it could gain. The current government ended the Government Investment in Decarbonising Industry (GIDI) programme, reducing support for businesses to improve energy efficiency, scale up electrification and switch away from fossil fuels.

Yet as a major recipient of that fund (under the previous government), New Zealand Steel's new electric arc furnace at Glenbrook [shows what targeted public-private investment can achieve](#): it has secured long-term domestic scrap steel supply (providing the country's first-ever steel recycling facility), halved on-site coal use, and cut annual emissions by over 45%, while supplying the domestic sectors. The project is an example of how a well-designed public-private investment can help heavy industry cut emissions while keeping industrial capability and jobs in New Zealand.

After lifting the oil and gas exploration ban, the government is the first - and only - country to have withdrawn from the Beyond Oil & Gas Alliance. It has granted the first new offshore petroleum exploration permit since lifting the offshore exploration ban.

Controversially, the government created a NZD 200 m Gas Security Fund to support domestic fossil gas supply, including exploration, drilling, infrastructure and storage. Funding new gas supply may help address short-term energy concerns, but it also risks locking in fossil fuel infrastructure and crowding out investment in electrification, renewable energy and energy efficiency.

While put on hold until after the election, the government is in the final stages of planning for a new LNG import terminal, which would maintain the country's dependence on fossil gas as its own gas fields run dry.

The Emissions Trading Scheme was touted by the government as New Zealand's main tool for cutting emissions, but its repeated policy rollbacks have weakened market confidence. Several auctions have failed to clear, and the carbon price has dropped substantially (see Figure 2).

The government has also moved to reduce the dedicated climate funding set up by its predecessor, including the closure of the Climate Emergency Response Fund, designated to use Emissions Trading Scheme revenue to support resilience, emission reductions and climate-related investment. That revenue was instead folded into the 2024 Budget to help fund tax relief through a "Climate Dividend".

Climate governance is also changing in ways that could make climate risk more difficult to see and manage. In 2026, the government [passed](#) the Climate Change Response (Tort Liability) Amendment Act 2026 under urgency in Parliament, specifically to [stop a court case](#) against the country's largest emitters (after those emitters [lobbied the government to do so](#)). This Act limits the ability of people and communities to seek damages from major emitters for climate-related harm. The legislation is now being [challenged to the European Commission](#) based on an argument that it undermines the NZ-EU free trade agreement.

The government has also moved to scale back mandatory climate reporting, with the proposal expected to exempt [88 reporting entities, more than halving the original number of liable entities](#). That may reduce reporting costs for some firms, but it also risks weakening transparency for investors, regulators and the public. With less information on corporate exposure to climate impacts, transition risks and climate-related financial vulnerabilities, it becomes harder to price risk properly, prepare for a low-emissions economy, and engage in global trade with the EU nations implementing the Carbon Border Adjustment Mechanism (CBAM).

Carbon price index of the New Zealand Emissions Trading Scheme



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|--|---|
| <p>A Commission's third NZ ETS settings advice (2025-2029) released</p> <p>B March 2024 auction partially clears at floor price</p> <p>C Government consultation on NZ ETS settings begins, includes option of lowering price control settings</p> <p>D Government announces decision on NZ ETS settings for 2025-2029</p> <p>E December 2024 auction partially clears at floor price</p> <p>F Government announces restrictions on exotic forests registering in NZ ETS</p> <p>G Commission's fourth NZ ETS settings advice (2026-2030) released</p> | <p>H Government announces decision on NZ ETS settings for 2026-2030</p> <p>I Government announces change to the 2050 target</p> <p>J Government announces changes to the Climate Change Response Act 2002, including removal of requirement for NZ ETS settings to accord with NDCs</p> <p>K Government announces amendment to second emissions reduction plan</p> <p>L Commission publishes letters between Minister of Climate Change and Commission Chair</p> |
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Figure 2 History of the carbon price index and the New Zealand Unit showing the impact of key changes.
Source: Figure 2.1, Advice on NZ ETS unit limits and price control settings for 2027-2031, CCC April 2026

Heavy reliance on forestry and land sinks

Our emissions projections exclude the forestry and land sink (LULUCF), allowing a clearer assessment of emissions reductions across other sectors. However, New Zealand calculates its target and emissions reductions including LULUCF, which gives a much rosier picture.

This points to a key weakness in New Zealand's climate policy framework, that is its heavy reliance on the use of carbon sequestration from its forests, through the accounting system that it has adopted, rather than prioritising reductions at source.

This heavy reliance on land sinks [risks](#) masking insufficient reductions in fossil fuel emissions while competing with food production and biodiversity conservation. Land sinks also face significant [challenges](#) related to high variability, measurement complexity and potential reversibility (e.g. through wildfires), making them an unreliable substitute for the deep and permanent emissions reductions in fossil fuel emissions needed to limit global warming to 1.5°C.

Offshore credits are not a substitute for domestic action

With its current inadequate policies, New Zealand's 2030 climate target would rely heavily on acquiring internationally transferred mitigation outcomes (ITMOs) under Article 6 of the Paris Agreement — what the government calls 'offshore mitigation'.

These are accounting units, not reductions in New Zealand's own emissions, and whether they correspond to real, additional mitigation in the host country depends on the quality of the underlying activity and the rigour of the authorisation and corresponding-adjustment process — neither of which can be assumed.

While relying on Article 6 was not specified in New Zealand's NDC, it was done so when the target was announced, but has been a major source of contention in the country ever since, with the focus on the cost, rather than the merits of relying so heavily on offshore mitigation to meet the targets.

And the scale of this reliance — if the government were to do this — is striking. [The Treasury](#) has estimated that New Zealand may need to secure around 85–96 MtCO_{2e} of offshore mitigation over 2021–2030 to meet its first target. That is larger than New Zealand's total annual emissions in 2024.

The proportion of Article 6 units (ITMOs) required to meet New Zealand's target is by far the largest in the world. It goes against the CAT's [recommendations on the use of Article 6](#), and the stated purpose of Article 6, which make it clear that governments must first set domestic targets and policies on track to align with 1.5°C emissions pathways before relying on the use of international carbon credits.

There is also no guarantee that enough high-quality international credits will be available. Relying on overseas Article 6 units to such a large extent would create a large fiscal burden. [The Treasury](#) has estimated the cost of purchasing offshore mitigation for New Zealand's first target at NZD 4.4–5.0 billion. The current government has not committed to doing this, but also continues to cut climate policies at home.

Investing in domestic mitigation would also keep more of the transition's social and economic benefits within New Zealand, including clean energy infrastructure investment, job creation and skills retention, lower dependence on fossil fuels, and improved energy security.

New Zealand contradicting the global move to transition away from fossil fuels?

At COP28, New Zealand joined the global consensus to “transition away from fossil fuels,” and the current government [insists](#) that commitment still stands. Yet at COP30 it [declined to join 86 countries](#), including Australia, the UK and its Pacific neighbours, in backing a roadmap to implement that transition.

Official documents later revealed that New Zealand’s negotiators had been ready to sign, but the delegation [was instructed not to sign](#) at the request of the Resources Minister —responsible for the NZD 200m fund to subsidise new gas exploration.

It’s clear that a government that endorses the transition away from fossil fuels in Dubai, blocks a roadmap for it in Belém, and funds new drilling in Taranaki is not pursuing a coherent policy. The facts appear to show that while New Zealand talks about transitioning away from fossil fuels, its actions are going in the opposite direction.

Is New Zealand’s support for the Paris Agreement under question?

This gap between what the government says and does also extends to its relationship with the Pacific. At the Pacific Islands Forum in September 2026, New Zealand signed the [Belau Declaration](#) reaffirming that climate change is the single greatest threat to Pacific peoples, and recommitting to the Paris Agreement. But within a week, the Foreign Minister, Winston Peters, was [publicly calling](#) for New Zealand to withdraw from the Paris Agreement, and describing it as a “massive failure”, although his party’s coalition partner and Prime Minister subsequently reaffirmed the country’s commitment to the agreement.

Climate action is also an economic resilience strategy

Successful climate action will reduce New Zealand’s reliance on imported fuel through electrification of transport and other activities that use oil.

Recent geopolitical tensions and volatile fossil fuel markets have shown the risks of relying too heavily on fossil fuels.

New Zealand imports all of its refined fuel, and the closure of the Strait of Hormuz in March 2026 drove petrol and diesel to record prices. In the year to September 2026, petrol prices were up 24% and diesel 56%, with petrol alone [adding half a percentage](#) point to annual inflation.

EV sales jumped from 5% to 16% of new registrations in March 2026, and Auckland recorded a seven-year high in public transport use — precisely the policies the current government has wound back.

These developments underscore that climate action is not only an environmental imperative but also a strategy for strengthening economic resilience. Accelerating transport electrification and renewable energy deployment would reduce New Zealand’s exposure to volatile global fossil fuel markets, improve energy security and ease cost-of-living pressures.

Recommendations for the next government

Effective climate action is essential to long-term economic prosperity, sustainability and wellbeing. Whichever government takes office after this election needs to treat climate policy as core economic policy.

Strengthen the climate policy framework

New Zealand should reinstate its policy and legal infrastructure, including the Climate Change Response Act 2002 and strengthen its climate targets to become compatible with limiting warming to 1.5°C. It should also strengthen the emission reduction plans and climate-related regulation and standards to meet both domestic budgets and international commitments.

Credible emission reduction plans should prioritise deep decarbonisation of all sectors rather than relying on land use and forestry sequestration or on offshore mitigation. This would also mean retaining broader social and economic co-benefits at home, lowering fiscal burden from buying offshore mitigation and substantially reducing the uncertainty and variability of land-based sequestration.

Redirect investment from fossil fuel expansion towards a clean energy transition

New Zealand should develop a roadmap for a comprehensive and just transition away from fossil fuels to progressively redirect public resources from fossil fuel development towards supporting a clean energy transition.

Priorities should include accelerating EV uptake and charging infrastructure deployment, modernising and expanding electricity grids, integrating battery storage with renewable energy, supporting R&D of emerging technologies such as vehicle-to-grid systems, AI-enabled smart microgrids and virtual power plants, and investing in workforce reskilling and upskilling programmes.

Continued investment in new oil, gas and coal developments risks prolonging carbon-intensive infrastructure lock-in, exposing New Zealand to fossil fuel market volatility and diverting resources from clean energy investment.

Beyond emission reductions and improved energy security, international experience demonstrates the growing economic contribution of clean energy industries: in China, these sectors accounted for an estimated 11.4% of GDP in 2025 and contributed more than one-third of annual GDP growth.

This highlights the potential for clean energy investment to support economic diversification, innovation, employment and long-term competitiveness. Prioritising fossil fuel expansion over clean energy development could therefore leave New Zealand less well positioned to benefit from the accelerating global transition towards low-carbon technologies.

Strengthen the Emissions Trading Scheme and restore market confidence:

New Zealand needs to restore the alignment between the New Zealand Emissions Trading Scheme (NZ ETS) and the country's domestic and international emission reduction targets, while strengthening the scheme's credibility and long-term carbon price signal. Reforms should address the scheme's heavy reliance on forestry removals and ensure that carbon pricing provides stronger incentives for gross emissions reductions across sectors. It should also bring the agriculture sector into the ETS, something successive governments have not been able to achieve due to heavy pushback from the farming sector.

The government should also re-establish a dedicated mechanism to channel ETS auction revenues, alongside broader public finance, towards supporting resilience, accelerating renewable energy deployment, supporting affected communities and workers, and scaling up innovative mitigation technologies, particularly agricultural methane reduction solutions.

It also needs to phase out its programme of ETS-exempted companies due to international competition, the Emissions Intensive Trade Exposed (EITE) scheme, which allows some of the country's largest emitters an exemption from paying for their emissions.



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CAT The Consortium



The Climate Action Tracker (CAT) is an independent scientific analysis produced by three research organisations tracking climate action since 2009. We track progress towards the globally agreed aim of holding warming well below 2°C, and pursuing efforts to limit warming to 1.5°C.

climateactiontracker.org



Climate Analytics is a non-profit institute leading research on climate science and policy in relation to the 1.5°C limit in the Paris Agreement. It has offices in Germany, the United States, Togo, Australia, Nepal and Trinidad and Tobago.

climateanalytics.org



NewClimate Institute is a non-profit institute established in 2014. NewClimate Institute supports research and implementation of action against climate change around the globe, covering the topics international climate negotiations, tracking climate action, climate and development, climate finance and carbon market mechanisms. NewClimate Institute aims at connecting up-to-date research with the real world decision making processes.

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Institute for Essential Services Reform (IESR) is an energy and environment focused think-tank that aims to accelerate the energy transition by supporting sustainable mobility, green economy, and well designed climate change policy. IESR has experience mainly in Indonesia, but is expanding its focus to work in other regions and countries.

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