

# Monitoring report: Emissions reduction (2025)

## One-page summary

### What we found

#### Progress reducing greenhouse gas emissions

- Gross emissions have declined steadily since 2019.
- Both net and gross emissions reduced by 2% between 2022 and 2023.

#### Emissions budgets and the 2050 target

- The first emissions budget covering 2022–2025 is *likely* to be met due to a combination of emissions reductions and changes to accounting methods.
- The second emissions budget covering 2026–2030 can be met but there are some areas of significant risk.
- The third emissions budget covering 2031–2035 requires further action – urgently – to be met.
- There are significant risks for meeting the 2050 target.

All emissions budgets and the 2050 target can be met, if more action is taken before the third emissions reduction plan (due 2029).

### Our recommendation to the Government

We recommend the Government acts ahead of the third emissions reduction plan, to reduce risk for the second emissions budget and get on track for the third budget and 2050 target, by:

- strengthening the New Zealand Emissions Trading Scheme (NZ ETS) to ensure it can be effective as a key policy tool for reducing emissions and
- implementing additional targeted policies to complement the NZ ETS, focused on renewable energy, transport and agriculture.

### About this report

#### What we assessed

- The adequacy of emissions reduction plans and their implementation
- Progress towards meeting the first, second and third emissions budgets
- Progress towards meeting the 2050 target.

We assess progress against the *current* emissions budgets and target.

If the Government revises budgets as we recommended in 2024 – to reflect the level of actual emissions reduction intended when they were set – then further action will be needed.

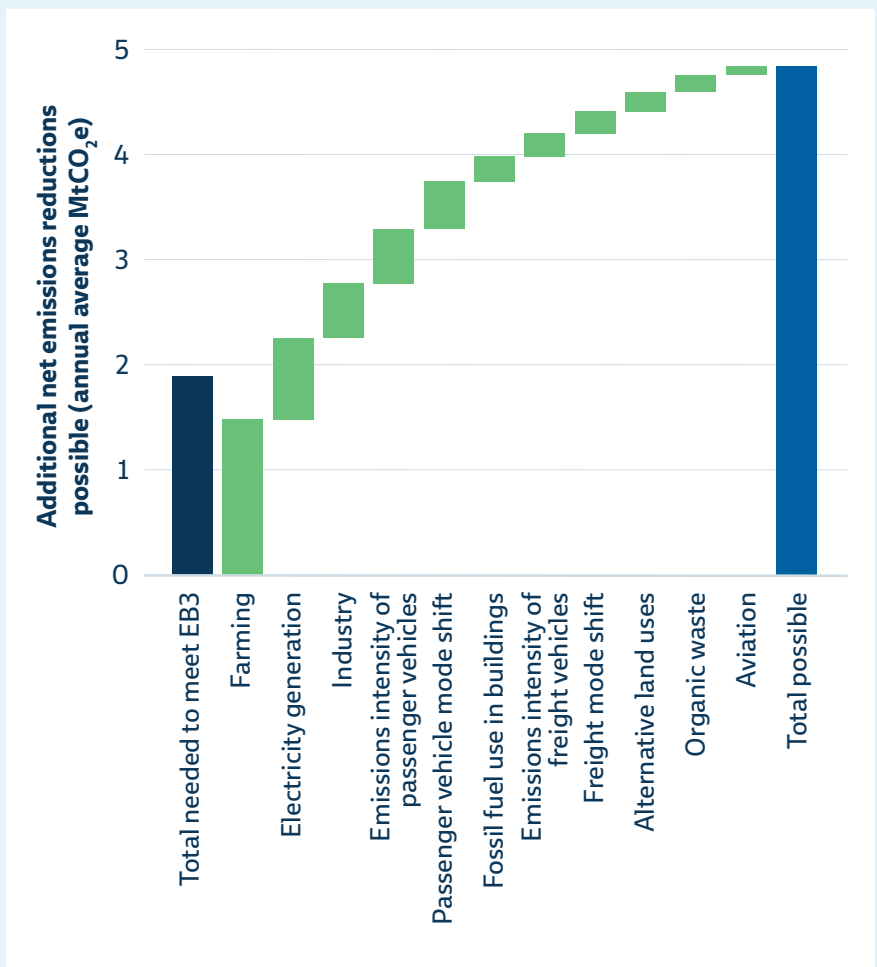
### Wider context

- The world reached 1.5°C in 2024; rapid action is needed to reduce emissions.
- While global instability is increasing, international climate action continues.
- 70% of Aotearoa New Zealand’s export value goes to countries with mandatory climate reporting in place or proposed (Chapman Tripp/ The Aotearoa Circle reporting).
- Some groups, including iwi/Māori, experience disproportionate impacts from both the effects of climate change and emissions reductions policies.

### Opportunities and wider benefits

- Further emissions reductions are possible across the economy (Figure 1).
- Taking action across a range of sectors builds resilience, spreading the risks and costs – as well as the benefits.
- Supporting agricultural producers to take up new technology and farm practices will maximise the country’s competitive advantage and realise the benefits of the Government’s investments.
- Falling prices for solar, EVs, and batteries could accelerate the shift to an affordable and reliable low-emissions energy system.
- Supporting private sector and Māori-led action can deliver additional reductions and wider benefits without significant fiscal cost.
- Scaling up action on transport could avoid air quality-related harm by NZ\$1.1 billion per year by 2035.
- Improving the energy efficiency of homes also protects households from high energy costs and poor health.

Figure 1: Further emissions reductions possible in the third emissions budget period



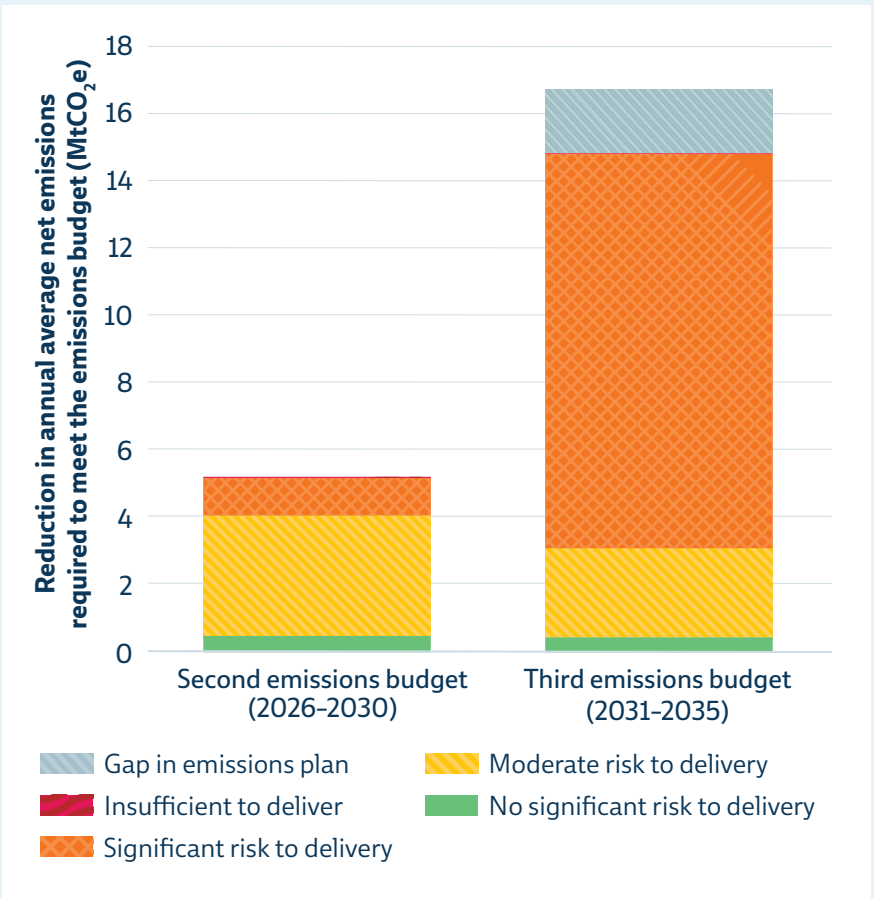
Source: Commission analysis of the second emissions reduction plan path compared to the Commission’s fourth emissions budget advice demonstration path

### Risks

- Buffers are needed for factors such as electricity generation and dry year risks, loss of forest area or changes in accounting methodology.
- Amendments are needed to the structure of the NZ ETS to ensure it is effective in the 2030s and beyond.
- Relying on a single sector for a large proportion of reductions or removals introduces risks to meeting emissions budgets:
  - The Government’s plan for the second emissions budget relies on reductions from carbon capture and storage, which may not be realised.
  - 46% of planned net emissions reductions in the third emissions budget are through removals from forests, which are vulnerable to forest fire, storms, pests, or other causes.

Many policy actions take time to have effect – action is needed now to reap the benefits and avoid costly and more disruptive actions later.

Figure 2: Overall risks to meeting emissions budgets



Source: Commission analysis

Read more at [climatecommission.govt.nz/ERM-2025](https://climatecommission.govt.nz/ERM-2025)