Monitoring report: Emissions reduction (2026)
One-page summary

He Pou a Rangi
Climate Change Commission

Climate disruption is growing

Climate change is already affecting communities, businesses and infrastructure. Greater and more durable emissions reductions are needed to minimise future disruption.

- Delaying action increases disruption and costs for households and the economy, and narrows the country's options.
- Some action will require upfront investment but will reduce costs overall and make the transition smoother.

Emissions are falling – gradually

Progress on reducing emissions is precarious and easily stalled. In 2024:

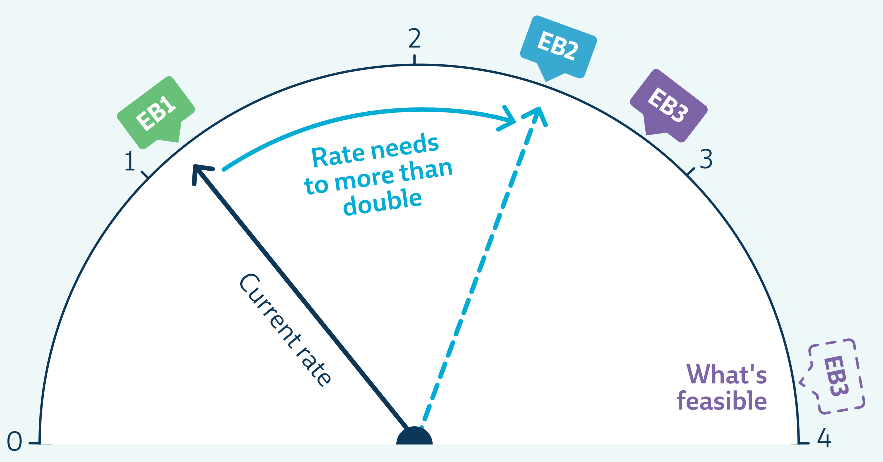
- Electricity generation emissions rose due to a dry year.
- Industrial emissions fell mainly due to reduced production rather than improvements to efficiency, technology or fuel switching.

Greater buffers are needed to minimise the impact of external factors.

The window for action is closing

- The country needs to **more than double** the current pace of decarbonisation to meet the second emissions budget – this is possible with further action.
- Additional action must occur in the **next one to two years** for it to be feasible to meet the 2030 biogenic methane target or the third emissions budget.

Fig 1: Increases in the rate of decarbonisation required to meet future emissions budgets (annual average $MtCO_2e$)



The country's climate goals are at risk

The second emissions budget is at significant risk and current plans are insufficient to meet the third emissions budget. Risks have increased, especially for agriculture, electricity generation and transport.

- Recent Government actions to reduce emissions will likely be outweighed by other actions that may increase them.
- It is too late to plant additional forests to address any shortfalls in the second emissions budget.

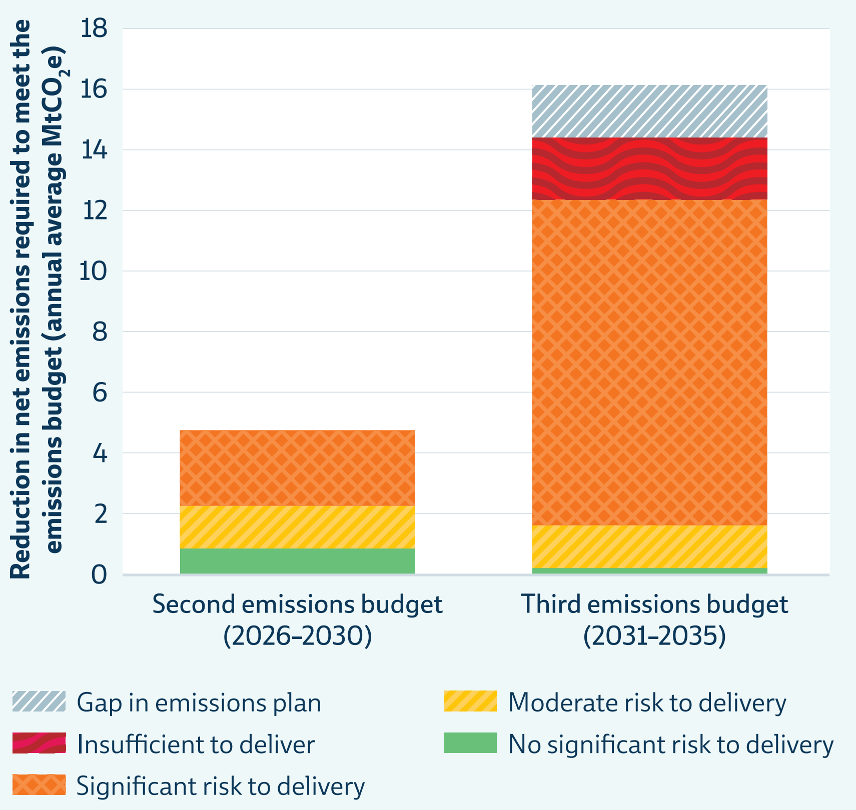
The 2030 biogenic methane target is unlikely to be met.

- Government estimates show a 7.9% reduction of biogenic methane by 2030, compared with the 10% target.

The New Zealand Emissions Trading Scheme (NZ ETS) is not efficiently driving emissions reductions.

- This is due to low market confidence, price volatility, and uncertainty about the long-term future of the scheme.
- The NZ ETS will need to be amended to be an effective tool to reduce net emissions in the 2030s and beyond.

Fig 2: Risks to meeting emissions budgets



Opportunities to increase resilience

Many low-emissions technologies – such as EVs and solar – would make households and businesses more resilient to rising costs and future shocks.

- EVs are cheaper to run than petrol vehicles and upfront costs have dropped. For comparable compact SUVs, owners see savings of about $7,500 over five years.
- It's now cheaper to buy and run a new industrial heat pump than carry on running a fossil-fuel low-temperature boiler.
- Research shows earlier decarbonisation could contribute NZ$22 billion per year to gross domestic product by 2035.
- The Government has low-cost options to address the barriers to taking up these technologies. By not implementing them, households and businesses are missing out on the financial, resilience and health benefits that they offer.

Our recommendations

Recommendation 1: We recommend that the Government takes action to address market barriers and failures within the next year to ensure it can meet its emissions goals, including:

- start determining how to incentivise further emissions reductions and removals in the 2030s given that the New Zealand Emissions Trading Scheme in its current form will struggle to do this
- for the primary sector:
  - immediately scale up support measures to meet the 2030 biogenic methane target
  - reduce barriers for high-value, low-emissions agricultural products for long-term reductions and resilience
- expand resource recovery facilities, services and planning, and extend landfill gas capture requirements to class 2 landfills
- encourage electric vehicle uptake through strong supply- and demand-side measures, and support greater shifts to public and active transport
- address upfront cost barriers to fuel-switching for households and businesses.

Recommendation 2: We recommend that the Government update its approach to emissions projections to ensure they provide a robust indication of likely future policy impact.

Read more at **climatecommission.govt.nz/erm-2026**