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Accelerating Net-Zero

Unlocking New Zealand's
climate potential

2025



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New Zealand at a pivotal point

The *Accelerating Net-Zero* report identifies a [US\\$47 trillion economic opportunity in Asia Pacific](#) associated with the climate transition – a transformation that will reshape industries and supply chains worldwide. For New Zealand, with its unique economic profile, abundant renewable resources, and ambitious climate targets, this is not a distant global trend – it is the most significant economic and environmental challenge and opportunity this decade.

This companion report translates the Asia Pacific findings into a specific, actionable context for New Zealand. It examines the country's distinct advantages and pressing domestic challenges through the four key pillars identified in the main report: [future fuels, critical minerals, batteries, and industrial transformation](#). It concludes with five targeted recommendations for policymakers to secure a prosperous, resilient, and net-zero future for New Zealand.

EXECUTIVE SUMMARY

New Zealand has the foundational elements for a successful climate transition, largely due to its highly renewable electricity grid.

There are, however, several significant challenges to address, including an impending natural gas shortage, general uncertainty affecting private investment, ongoing discussions about mineral extraction, and limited circular economy infrastructure for key technologies like batteries. To meet the Nationally Determined Contribution (NDC) and realise economic opportunities, it will be important to move from ambition to action. This should involve a coordinated suite of policies to support private investment, create new markets for low-emissions goods, and provide a clear, long-term roadmap for industry.

New Zealand's position with renewables is strong, but it has relatively high emissions per person due to its emissions profile, heavily impacted by agriculture and transport. To meet global commitments and eventually reach net zero, these issues will need to be addressed with more urgency than ever before. Attracting investment and building the necessary infrastructure are already big challenges for New Zealand, and even more so at the scale required. The electricity market, the crucial underpinning of the economy, needs to keep up with rising demand and increase capacity, at the same time that the country is already facing high prices and a cost of living crisis.

New Zealand does not have the scale to compete in manufacturing some low-carbon technologies, such as EVs, batteries, solar panels, and wind turbines, so there is reliance on importing and adapting the technologies to New Zealand's unique challenges. There will also be growing pressure not just from trade and reporting requirements, but also from sustainability standards set by key global customers, as well as from Carbon Border Adjustment Mechanisms (CBAMs) as they start to be implemented across key markets.

This challenge is immense but is one that provides opportunities for New Zealand to embrace now. By building the right settings through enduring policy, incentives and cooperation across the economy, New Zealand can be positioned to achieve not only net-zero by 2050, but unlock prosperity for generations to come.



The New Zealand opportunity

Leveraging strengths

New Zealand is uniquely positioned to be a leader in the high-value, sustainable niches of the future net-zero economy.



Future fuels

New Zealand's renewable electricity advantage (over 85% and growing) makes it a prime candidate for producing premium **green hydrogen**. This presents a major opportunity to decarbonise the heavy transport and industrial sectors (e.g. NZ Steel's process heat or Fonterra's milk drying) and to create a high-value export product, particularly in the form of green ammonia or sustainable aviation fuels (SAFs) for vital tourism and trade links.



Batteries

The opportunity is in smart application and circularity rather than mass manufacturing. New Zealand can become a global leader in integrating grid-scale battery energy storage systems (BESS) to support the renewable grid, accelerating behind-the-meter storage in homes and businesses, and developing a sophisticated onshore **battery recycling industry** which aligns and contributes to advances across the Asia Pacific region. This circular economy approach would recover valuable minerals and address a looming environmental challenge.



Critical minerals

New Zealand has potential deposits of critical minerals. The opportunity lies not in becoming a bulk producer, but in establishing a world-leading **"green mining" sector** governed by exemplary environmental, social, and governance (ESG) standards and meaningful partnership with iwi/Māori. This would provide a secure, local supply chain for the country's transition needs while creating a high-value, differentiated export.



Industrial transformation

With the expansion of the country's renewable energy generation, there is an opportunity to leverage the renewable energy and "NZ Inc" brand to produce some of the lowest-carbon products in the world. This includes decarbonising the primary sector through new technologies and transforming the manufacturing base to produce **green steel, low-carbon aluminium, and sustainable building materials**. This is a direct pathway to future-proofing New Zealand's industrial base and adding value to exports in a world increasingly focused on carbon footprints.

Facing the challenges

New Zealand's main obstacles

Progress towards NDC is threatened by several interconnected domestic issues that directly map to the four pillars of the transition.



An impending energy crunch

The projected decline in domestic natural gas supply is an important issue to address. Gas currently supports the reliability of the electricity system via Huntly Power Station and is an important feedstock and energy source for major industries. Developing a clear government strategy for future fuels like hydrogen and biofuels would help provide alternative options for these users to consider. Providing this direction can help reduce uncertainty and support a smooth and cost-effective transition, while also helping to meet emissions targets.



The critical minerals paradox

New Zealand is not alone in addressing the critical mineral challenge: critical minerals are required for wind turbines, solar panels, and EV batteries to help achieve climate goals, but there are concerns about mining these resources locally. While the current debate brings a range of views, there is an opportunity to develop a clear, modern regulatory framework that supports both community interests and sustainable development. Exploring local options alongside imports can help build a more resilient and secure supply chain for the future.



A looming waste crisis

The rapid uptake of EVs and solar systems is a success story, but it comes with its own challenge: a future wave of used batteries. New Zealand does not currently have a mandatory, comprehensive product stewardship programme for large batteries. Without such a programme, there may be major environmental risks and missed opportunities to recover the valuable critical minerals they contain, a key strategy recommended in the Asia Pacific report.

The path forward

Five recommendations for New Zealand

According to the report, accelerating the net-zero transition in Asia Pacific requires significant policy intervention to overcome challenges related to future fuels, critical minerals, batteries, and industrial transformation.

While the report provides a regional overview, it's crucial to tailor these policy recommendations to the unique context of New Zealand.

New Zealand has a strong foundation for the net-zero transition, with a high proportion of renewable energy and ambitious targets under the Climate Change Response Act 2002. However, like other nations, it faces challenges in decarbonising hard-to-abate sectors. The following five policy actions are key to accelerating New Zealand's transition.



The report outlines five key actions for Asia Pacific policymakers to accelerate the transition.



Accelerate policy and regulation

Governments need to provide clear and stable frameworks that signal a long-term direction and reduce risk for investors.



Establish sector strategies and institutions

This involves developing targeted roadmaps that clarify what to build, when to build and where to build, and assigning institutional responsibility for delivery.



Develop new markets

Policymakers should support early-stage innovation and, most importantly, build the market infrastructure that allows industry to scale up.



Remove barriers to growth

This includes addressing financing gaps, infrastructure bottlenecks, and execution risks that are slowing progress.



Foster regional cooperation

Cross-border collaboration is crucial to pool demand, share technology, and attract capital at the necessary scale.





Accelerate policy and regulation

New Zealand has established a legal framework for its climate commitments, including a **net-zero carbon emissions by 2050 target** and specific methane targets. However, the Asia Pacific report highlights the need for clear, stable frameworks that cut through complexity and provide long-term direction for investors.

In New Zealand, this means continuing to translate high-level targets into concrete, **durable policy that is independent of political cycles**. For example, the Government has set emissions budgets and a second emissions reduction plan to guide the country toward its 2050 goal. To ensure these policies are effective, they must be supported by streamlined regulatory processes to enable the development of new energy projects, such as **offshore wind farms, geothermal** and other renewable energy infrastructure.

It is also important to ensure that different regulatory instruments are aligned to support the transition. For example, changes to the Resource Management Act (RMA) will allow local authorities to consider the effects of greenhouse gas emissions when making decisions on air discharge permits and other policies. The Government is also developing a New Zealand Energy Strategy to provide a clear long-term vision for the energy sector.

In January 2025, the Government launched a **Minerals Strategy for New Zealand to 2040**, which includes a critical minerals list to support a secure supply chain for clean energy technologies. This strategy also aims to align with its international partners and signals New Zealand's intent to increase its mineral and petroleum exploration and production. By working with like-minded nations, New Zealand can access additional sources of capital and ensure a resilient supply of the minerals needed for its net-zero future.

Changes to the New Zealand Emissions Trading Scheme (NZ ETS) aim to improve market integrity and encourage diversification. These changes include putting a moratorium on new farm-to-exotic forestry conversions on high-quality agricultural land. The Government is also updating its default carbon tables to improve the accuracy of carbon stock estimations and to better reward small-scale foresters.

The Government could enhance the NZ ETS by progressively reducing emissions allocations and aligning the cost containment reserve (ceiling price) and auction reserve (floor price) with future emissions budgets.

This is a more ambitious approach than the current practice of setting the unit supply at a level that balances emissions reduction with the economic impact on businesses and consumers. By reducing the supply of units at a faster rate, the Government can potentially increase the carbon price. Higher carbon prices make high-emissions activities, such as using fossil fuels, more expensive and incentivises investments in low-emissions alternatives, like renewable energy and electrification, which become more economically viable.

This approach would send a clear signal to investors, mobilising capital for climate goals. While it may raise short-term costs, it would speed up the transition and lower long-term risks.





Establish sector strategies and institutions

The Asia Pacific report emphasises that system-wide change requires sector-specific roadmaps and dedicated institutions. In New Zealand, this is particularly relevant for sectors that are difficult to decarbonise, such as agriculture and transport.

The **Climate Change Commission** plays a key role by providing independent, evidence-based advice to the Government. Its work helps inform the multi-year emissions reduction plans. However, for a successful transition, policymakers must empower such institutions to not only advise but also to coordinate infrastructure planning and market mechanisms. The Government is developing a **national adaptation framework** and a **national energy strategy** to address climate risks and guide the transition. This must be supported by initiatives that encourage a greater use of public transport and increase housing density in urban areas.





Develop new markets

The report emphasises that government policy must act as a catalyst to unlock investment for the transition. While some previous funding mechanisms are no longer in place, New Zealand continues to develop new ways to attract public and private capital.

On April 8 2025, the Government announced that it would wind down New Zealand Green Investment Finance (NZGIF). The decision was aligned to the Government's mandate to reduce duplication, and to encourage the market to drive green tech investments.

Similarly, the Climate Emergency Response Fund (CERF) was closed in 2024. The Government has stated that new funding for climate initiatives will be considered through the normal budget process.

Despite these changes, there is still focus on creating a favourable environment for green finance. Government continues to use the ETS to put a price on carbon, incentivising investment in lower-emission technologies. Additionally, the Government has been issuing **Sovereign Green Bonds** to scale infrastructure investment and to fund projects that support climate objectives. The Government has also recently indicated it will invest in renewable energy.

There is recognition of the need for ongoing investment in technology and innovation. Initiatives such as the **Māori Climate Platform** are designed to support Māori-led projects that build resilience to climate change and create economic benefits. This approach aligns with the report's recommendation to foster early-stage innovation and market creation to send strong economic signals to the private sector.

This is also vital for New Zealand's position with trading partners. With over 80% of the economy reliant on natural products, New Zealand's emission profile must match the demand for high-value, low-carbon products. Supporting innovation, technology adoption and value-creation across key industries is critical to achieve the Government's double export value targets through to 2035.



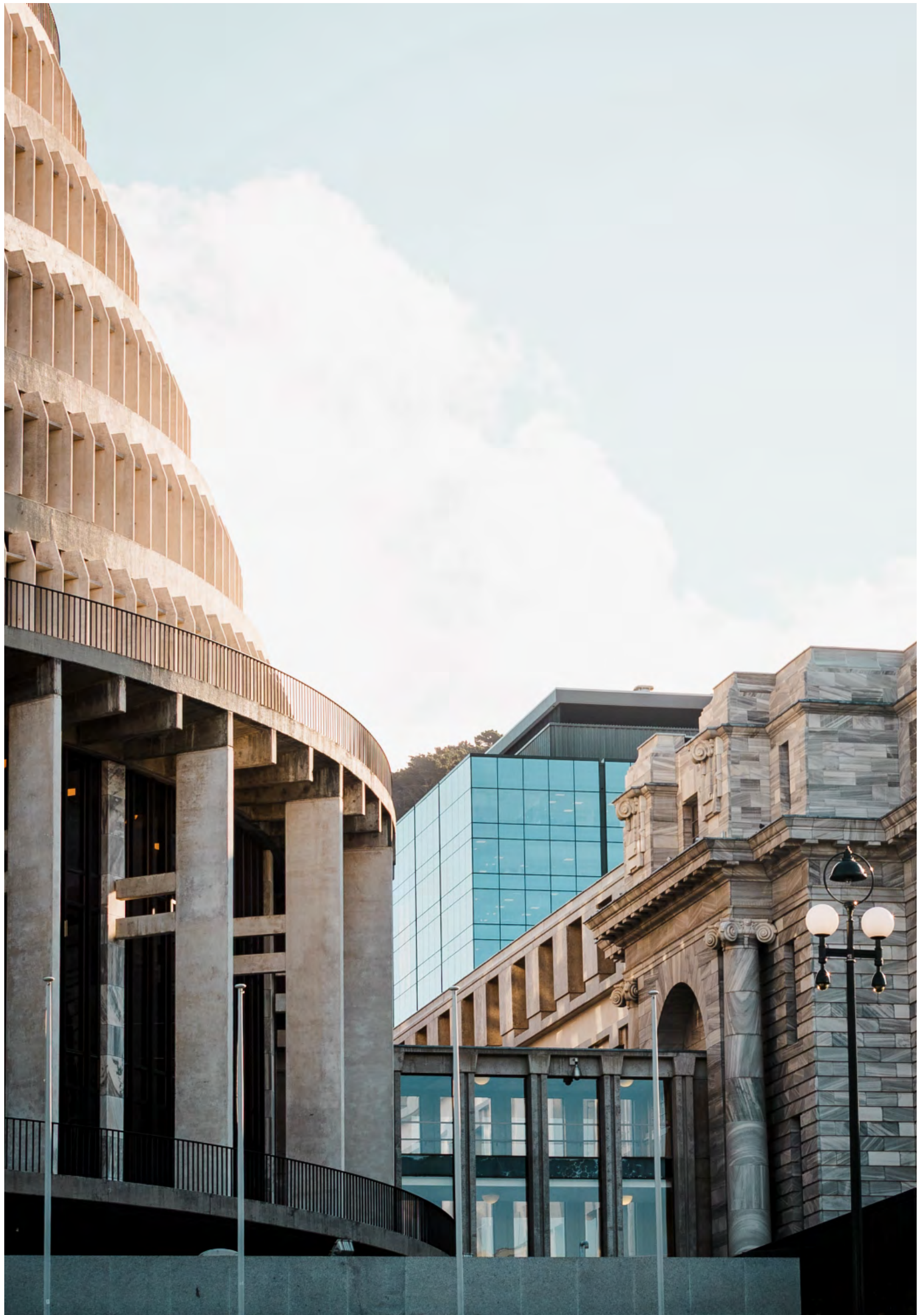


Targeted support and grants to remove barriers for growth

A key barrier to growth is the investment gap and the need to make low-carbon alternatives more affordable.

One ambitious policy New Zealand could implement is to develop a new fund modelled on the Government Investment in Decarbonising Industry (GIDI) Fund. The GIDI Fund was a well-subscribed programme that provided co-funding to help businesses switch away from fossil fuels and improve energy efficiency, but it also presented some challenges for both government and the private sector, including administrative complexity and the need for clearer application processes.

Creating a new fund similar to GIDI would provide essential financial support to make the transition to clean energy more accessible for industrial businesses. This new fund could focus on projects that switch from fossil fuels to cleaner energy sources, such as biomass or electricity, especially for industrial process heat. By offering co-funding, the Government can leverage its investment to secure private capital and accelerate a greater number of projects, building on the key principle of the original GIDI Fund. The new fund could also provide support for business cases and feasibility studies, helping to reduce the initial financial risk for businesses considering large-scale decarbonisation projects. In developing this fund, it will be important to address previous challenges by streamlining processes, improving transparency, and ensuring effective engagement with industry stakeholders.





Foster regional cooperation

The report highlights that competition and collaboration must be balanced to achieve regional prosperity. New Zealand, as a small, advanced economy, can leverage international partnerships to accelerate its transition.

New Zealand is party to 14 free trade agreements (FTAs) worldwide. It is also a member of several multilateral agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), which include key Asia Pacific partners such as China, Australia, Japan, and Singapore.

Key trading partners in Asia – Singapore, China, Japan, Australia, South Korea, and Malaysia – have mandatory climate and ESG disclosure regimes in effect, reflecting New Zealand's own climate reporting mandates. Climate reporting confers aprecedented degree of transparency over supply chain vulnerability and future volatility, and will position New Zealand and its trading partners to anticipate and avoid systemic climate-related shocks.

New Zealand's key regional trade partners in the Asia Pacific region are placing greater emphasis on energy and supply chain security, as well as climate change. This shift presents both opportunities and growing expectations for access to markets with low-carbon goods. For New Zealand, these partnerships are also vital for attracting investment and facilitating technology transfer – not only to adopt new clean energy technologies, but also to develop markets for New Zealand's emerging low-carbon technologies and products. As trade mechanisms such as CBAMs become more prevalent, exporters are likely to face increased exposure to effective carbon taxes, which may limit access to high-value customers and markets.

In the future, New Zealand is focused on deepening its relationships with key economies in Asia to advance its trade and climate goals.

China

China is New Zealand's largest trading partner, with two-way trade valued at over NZ\$38 billion in 2024. The focus is on strengthening this relationship beyond transactional exchanges through increased two-way investment, which can lead to long-term partnerships and technology transfer. China is aggressively pursuing a decarbonisation process to meet its goals of peaking carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060. This is driven by a realisation that the old fossil fuel-based development model is unsustainable and that a green transition can unlock economic growth, create jobs, and improve energy security.

India

In March 2025, New Zealand and India officially launched negotiations for a comprehensive FTA. The goal is a balanced, ambitious, and mutually beneficial deal to address tariff and non-tariff barriers that impact exporters. This negotiation is part of a wider strategy to strengthen the relationship across political, cultural, and economic spheres, including science, technology, and education.

Singapore

The relationship with Singapore is close and long-standing, supported by the enhanced partnership which deepens cooperation across six pillars, including climate change, trade, and the green economy. New Zealand is working with Singapore on trade modernisation, exploring the use of blockchain technology to digitalise border processes, reduce costs, and speed up trade.

South Korea

South Korea is one of New Zealand's most important partners in Asia, with annual trade nearing NZ\$9 billion. The bilateral trade and economic relationship is underpinned by the Korea-New Zealand Free Trade Agreement. Future cooperation will focus on areas of mutual interest such as economic security, supply chain resilience, and energy security.



Looking ahead

As a small nation with a strong focus on global trade, New Zealand is well placed to shape regional prosperity by building on the balance between competition and collaboration. With a robust presence in numerous free trade and multilateral agreements with key Asia Pacific economies such as China, Japan, and Singapore, New Zealand is actively intensifying its relationships to drive trade and climate objectives forward.

The global transition to a net-zero economy is gaining pace, and New Zealand has an opportunity to take a leading role, shaping its own future and building resilience against global supply and price shocks. But this is not without challenges. Decarbonisation is progressing across the economy; however, much of this has involved relatively straightforward measures. Achieving emissions reduction across the agricultural and manufacturing sectors is challenging, costly, and will require investment, behaviour change, and collaboration. Despite challenges ahead, such as energy security and resource management, New Zealand is uniquely positioned to seize transformative opportunities – developing new industries, enhancing resilience, and elevating its global reputation as a climate leader. Realising this future requires a new level of collaboration between government, industry, iwi/Māori, and the finance sector. Policy is the catalyst and now is the time for bold, decisive, and forward-thinking decisions that will set New Zealand up for long-term success.





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