



COVERSHEET

Minister	Hon Chris Penk	Portfolio	Building and Construction
Title of Cabinet paper	Incentivising residential solar generation	Date to be published	September 2025

List of documents that have been proactively released

Date	Title	Author
April 2025	Incentivising residential solar generation	Office of the Minister for Building and Construction
9 April 2025	Incentivising residential solar generation ECO-25-MIN-0054 Minute	Cabinet Office
April 2025	Regulatory Impact Statement: Incentivising residential solar generation	MBIE
August 2024	Energy Efficiency Requirements for Homes	Office of the Minister for Building and Construction
6 August 2024	Energy Efficiency Requirements for Homes EXP-24-MIN-0039 Minute	Cabinet Office
April 2025	Refocused climate work programme for building and construction	Office of the Minister for Building and Construction
9 April 2025	Refocused climate work programme for building and construction ECO-24-MIN-0312 Minute	Cabinet Office
14 August 2024	Briefing 2425-0569: Updating the building chapter of the First Emissions Reduction Plan to reflect your portfolio priorities	MBIE
18 September 2024	Briefing 2425-0886: Opportunities to include buildings in the Second Emissions Reduction Plan	MBIE

Information redacted

Yes

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

- Confidential Advice to Government
- Privacy of Natural Persons
- Legal Professional Privilege
- Commercial Information

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Office of the Minister for Building and Construction

Cabinet Economic Policy Committee

Refocused climate work programme for building and construction

Proposal

- 1 This paper brings to Cabinet's attention my refocused climate work programme in the Building and Construction portfolio.
- 2 This paper also seeks agreement:
 - 2.1 to rescind Cabinet decisions made by the previous Government to reflect the refocused work programme; and
 - 2.2 for New Zealand to become a signatory to the Declaration de Chaillot.

Relation to government priorities

- 3 The proposals in this paper support the Government's:
 - 3.1 ninth Target to be delivered by 2030 (reduced net greenhouse gas emissions); and
 - 3.2 commitment to increase housing supply by improving efficiency, reducing barriers and driving down costs in the building system.

Executive summary

- 4 The Government's overall climate strategy is focused on transitioning New Zealand to a low emissions economy in a market-led and cost-effective way.
- 5 My refocused approach to climate change in the Building and Construction portfolio will support the Government's climate strategy without adding undue costs and barriers for the building sector.
- 6 We will do this by providing the information, tools and incentives (such as changes to the building levy) that New Zealanders need to make informed choices about low-carbon, energy efficient and climate resilient buildings. This approach will balance positive climate change outcomes with upfront costs for building owners, designers and builders.
- 7 This proposed direction of travel represents a change from that indicated by the previous Government, which had an emphasis on increased regulation and mandating additional requirements onto the building and construction sector.
- 8 I am recommending Cabinet rescind the previous Government's Building for

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Climate Change decisions to provide certainty and clarity to the sector. These previous decisions do not align with my approach which will support people to take voluntary action to reduce emissions and improve resilience without creating unnecessary regulatory requirements or additional upfront costs.

- 9 I am also seeking approval for New Zealand to become a signatory to the Declaration de Chaillot.

Background

- 10 In March 2024, Cabinet agreed to my work programme to liberalise the building regulatory system and make it easier and cheaper to build affordable homes [ECO-24-MIN-0019 refers].
- 11 In May 2024, Cabinet agreed to a new climate strategy [ECO-24-MIN-0097 refers] that takes a market-led and cost-effective approach towards delivering New Zealand's climate goals. In response to significant support from the sector during consultation on the second Emissions Reduction Plan (ERP2), I supported the Minister of Climate Change by including a Building and Construction chapter in the ERP2, which was publicly released last week on 11 December 2024.
- 12 In August 2024, Cabinet noted that I instructed the Ministry of Business, Innovation and Employment (MBIE) to engage with key building and construction sector stakeholders to understand their experience of implementing changes to H1 Energy Efficiency clause settings. Cabinet also agreed that I will progress work to make it easier to retrofit existing homes [EXP-24-MIN-0039 refers].

A refocused approach to climate change

- 13 Buildings contribute around 12 per cent of New Zealand's gross domestic greenhouse gas emissions. Building-related emissions come from the energy used to operate buildings (operational emissions) and the emissions associated with the materials used to construct buildings (embodied emissions). Energy efficient buildings can also improve health outcomes for residents and help consumers to save money on their energy bills.
- 14 Buildings are increasingly vulnerable to the impacts of climate hazards. The Treasury estimated the Auckland Anniversary Floods and Cyclone Gabrielle severe weather events in 2023 cost government around \$2 billion.
- 15 I propose to take a market-led and cost-effective approach towards responding to climate change in the Building and Construction portfolio, in line with the Government's overall climate strategy.
- 16 All domestic building-related emissions are covered under the New Zealand Emissions Trading Scheme (NZETS). My approach complements the NZETS by focusing on the climate strategy's key enablers:
- 16.1 private investment and partnerships: I will support the private sector to voluntarily reduce building emissions and improve the climate resilience of

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buildings without adding unreasonable costs.

- 16.2 access to the best available data and evidence: my work programme will improve the information available to the sector to support informed sector-led decision-making.
- 16.3 international engagement and knowledge sharing: I am proposing New Zealand become a signatory to the Declaration de Chaillot, an international declaration with over 60 member states for facilitating international collaboration on low carbon and climate resilient buildings.
- 16.4 competitive markets: I have work underway to improve the efficiency and competitiveness of the building and construction sector including by removing barriers to using innovative overseas building products with low emissions.

My approach is a change in direction compared to the previous government

- 17 The previous Government agreed to amend the *Building Act 2004* (the Building Act) to:
 - 17.1 require mandatory energy performance ratings for owners of specific buildings;
 - 17.2 require construction and demolition waste minimisation plans for certain building projects; and
 - 17.3 clarify the Building Act's purposes and principles to include emissions reduction and climate resilience.
- 18 I wish to provide the building and construction sector with certainty and clarity around my direction of travel. I therefore seek Cabinet agreement to rescind the previous Government's decisions (Appendix One: DEV-22-MIN-0216 and Appendix Two: DEV-23-MIN-0072), which are not consistent with this Government's cost-effective and market-led climate strategy.
- 19 These decisions relate to two actions in the first Emissions Reductions Plan (ERP1). Rescinding them will effectively discontinue the following ERP1 actions: *establish an enabling legislative framework by amending the Building Act to clarify that action to reduce emissions falls within its scope* (Action 12.5.5) and *introducing mandatory energy performance certificates for certain building types* (Action 12.3.2). These changes are not included in the Minister of Climate Change's amendment to ERP1 due to the timing of previous decisions on amending ERP1.
- 20 Rescinding these decisions is not expected to affect our ability to achieve the first emissions budget.

Incentivising green building and energy efficiency retrofits

- 21 I am concerned current regulatory settings do not encourage low-carbon, energy efficient building and may make it harder and more costly than it needs to be. I intend to incentivise low-carbon building and retrofits to improve energy efficiency through

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the initiatives outlined below.

Using the building consent system to incentivise green buildings

- 22 I propose to consult on options to use the building consent system to incentivise people to build green buildings.
- 23 By ‘green buildings’ I mean buildings that will meet performance criteria relating to reduced embodied carbon emissions, and improved levels of energy efficiency and resilience. Incentives could involve providing a building levy discount or waiver for green buildings or requiring building consents for green buildings to be fast-tracked.
- 24 While the building levy paid represents a small proportion of the value of building work, a discount or waiver would reduce the comparative cost of a green building and may stimulate higher levels of design uptake that, in turn, would support climate priorities.
- 25 In addition, requiring building consents for green buildings to be fast-tracked would also incentivise builders and reduce the effective cost. Currently, Building Consent Authorities must process a building consent application in 20 working days.
- 26 These changes would require changes to the *Building Act* and the *Building (Levy) Regulations 2019*. I look forward to receiving more detailed policy advice from my officials before I report back to Cabinet for policy decisions in 2025.

Making standardized green building designs freely and publicly available

- 27 I am engaging with the sector to provide designs for low-carbon, high-performing buildings, like those already developed by BRANZ, to the public. Confidential advice to Government
- 28 These designs would be assessed and approved for fast-tracked consenting through MBIE’s existing MultiProof scheme. When a building consent application includes a MultiProof approval, the council must grant or refuse consent within 10 working days instead of the usual 20.
- 29 Making these designs publicly available could reduce building design costs and speed up consenting for people who are looking to build a low-carbon and energy efficient home.

Making it easier to retrofit homes

- 30 Around half of all homes in New Zealand were built at least 50 years ago, prior to insulation being required (from 1978 onwards). These homes typically have poor energy efficiency and are often cold and damp, driving poor health outcomes.
- 31 I have committed to progressing work to make it easier for people to retrofit buildings, as previously agreed to by Cabinet (EXP-24-MIN-0039). This could include investigating options to streamline building regulatory compliance to

make it easier for people to voluntarily retrofit a building to improve its energy efficiency.

- 32 This work is included in the Building and Construction chapter of the second Emissions Reduction Plan. I will bring detailed policy decisions to Cabinet in 2025.
- 33 I am also exploring opportunities to make low-carbon building easier through other work underway in my portfolio, such as the structural reform of the building consent system.

Improving tools and information to support low-carbon building choices

- 34 Many building owners, designers and builders currently have limited access to credible information that enables them to make informed decisions on building related emissions. I intend to address this by making better information and tools more readily accessible through the initiatives outlined below.

Expanding voluntary energy performance ratings for non-residential buildings

- 35 I am working towards expanding the existing National Australian Built Environment Rating System New Zealand (NABERSNZ) scheme to include more building types such as shopping malls and hotels.
- 36 This will help businesses and property owners to better understand and consider ways to improve their buildings' energy performance and help drive market demand for better performance.

Supporting industry efforts to increase embodied carbon data-sharing

- 37 I am supporting BRANZ and Construction Information Limited to develop and maintain a national online embodied carbon data repository. This will improve the accessibility of robust embodied carbon data for building materials and products.
- 38 I also note that a sector-led online platform for building emissions assessments to be uploaded and shared is being piloted. This pilot will improve understanding of what good looks like for embodied carbon of buildings.
- 39 Improving people's understanding of embodied emissions can increase demand for low-emissions building materials and incentivise low-emissions practices.

Making it easier for the sector to measure embodied carbon

- 40 I am working with providers of embodied carbon measurement tools to develop guidance on how these tools can be better and more widely used in New Zealand in a consistent and credible way.

Supporting climate resilient building choices

- 41 The Auckland Anniversary Floods and Cyclone Gabrielle in 2023 highlighted the vulnerability of New Zealand's buildings and infrastructure to severe weather events. Climate resilient buildings can withstand such events better and reduce rebuild costs. I propose to:
- 41.1 deliver plain language guidance to encourage homeowners and buyers to consider climate resilience when building or purchasing a property.
 - 41.2 support and provide input into the Climate Data Initiative led by the Ministry for the Environment to ensure data on climate hazard risk exposure is available at a property or community level. This initiative will make it easier for non-experts to access and use climate data, and enable property owners and purchasers to make informed, risk-based decisions about where and how to build.
 - 41.3 continue exploring opportunities to work with banks and insurers on voluntary initiatives to recognise climate resilience improvements. These may include favourable lending terms in relation to green buildings (acknowledging lower costs associated with energy efficiency) and discounting the premiums of builders and owners who choose to incorporate resilience improvements in their new build, along with 'build back better' schemes to reduce vulnerability and maintain coverage/paying customers over a longer period of time.
 - 41.4 These actions are intended to increase consumer knowledge of climate resilience and enable homeowners and buyers to make informed decisions about building on their property and buying a new property.
- 42 This work complements the Minister of Climate Change's work to develop an Adaptation Framework. The Adaptation Framework aims to improve the sharing of information so that everyone can make informed decisions on the impacts of destructive climate events.

Strengthening international collaboration on low-carbon and climate resilient buildings

- 43 There is an opportunity for New Zealand to become a signatory to the 'Declaration de Chaillot' (**Appendix Three: Declaration de Chaillot**). The Declaration was organised by the French Government and the United Nations Environment Programme. It was launched at the inaugural Buildings and Climate Global Forum earlier this year to enable international collaboration and cooperation on progressing a rapid, fair and effective transition towards low-carbon and climate resilient buildings.
- 44 The Declaration is an opportunity to participate in global networks and support the delivery of the Government's climate strategy through international engagement and knowledge sharing.
- 45 The Declaration is well-supported internationally. Over 60 other countries have signed the Declaration, including Australia, the United Kingdom, Canada and the United States of America.
- 46 Signatories become part of the 'Intergovernmental Council for Buildings and

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Climate' (ICBC). The ICBC will convene online twice a year at a senior administrative level, and once a year in-person at a Ministerial level. The intention is to time the annual Ministerial meeting in conjunction with other international climate events, such as the Conference of the Parties (COP). The purpose of these meetings is to collaborate and share insights on transitioning towards low-carbon and climate resilient buildings. Brazil, which is hosting COP30, is a signatory and has signalled it will convene an ICBC Ministerial meeting in conjunction with COP30.

- 47 Becoming a signatory would demonstrate on a global stage that the Government recognises the need to adapt New Zealand's homes and buildings to future climate conditions and is committed to reducing building-related emissions to achieve New Zealand's international climate change obligations.
- 48 If Cabinet agrees to New Zealand becoming a signatory Member state, New Zealand would be involved in ICBC decision-making and governance. Technical delegates (senior officials) would attend the two online technical meetings and I would attend the annual Ministerial meeting as Minister of Building and Construction.
- 49 Becoming a signatory Member state does not require any specific action from the Government (eg actually signing the document), and signatories are not required to implement the commitments in the Declaration. There are no binding regulatory commitments and some of the suggestions in the Declaration align with my approach towards responding to climate change in the building and construction portfolio.
- 50 These suggestions include retrofitting building structures, adapting buildings to changing climate conditions, promoting the use of low carbon construction materials, working to increase the volume of sustainable buildings and developing tools to collect and share best practices.
- 51 Other suggestions, such as advancing the promotion and adoption of labels and certificates in buildings, do not align with my approach towards responding to climate change in the building and construction portfolio and, in these cases, I do not intend to implement them.
- 52 If Cabinet does not want New Zealand to become a signatory Member state, MBIE could make an operational decision for New Zealand to join the ICBC as an Observer state. Senior MBIE officials would attend the two online technical meetings each year and still access information-sharing on international developments in sustainable building practices.
- 53 The main disadvantage of only joining as an Observer state is that New Zealand would not be involved in ICBC decision-making or governance. Furthermore, as there are over 60 signatory Member states to the ICBC, including Australia, the United Kingdom, Canada and the United States, there could be a reputational risk should New Zealand choose not to become a signatory Member state.
- 54 Given the limited number of annual meetings, the resource requirements for

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joining as either a signatory Member or Observer state are minimal and would not require additional funding or reprioritization from other work.

- 55 Subject to Cabinet's support, I intend to arrange for New Zealand to become a signatory Member state to the Declaration as part of the whole-of-Government response to climate change. The Ministry of Foreign Affairs and Trade has indicated its support for New Zealand becoming a signatory Member state.

Optimising H1 - Energy efficiency settings

- 56 In August, I brought to Cabinet's attention concerns that had been raised with me by many building sector professionals about additional costs arising from the 2021 changes to compliance with Building Code clause H1 - Energy Efficiency. The H1 clause sets out energy efficiency requirements for new buildings.
- 57 It is important to ensure the H1 settings strike the right balance between the outcomes they can help achieve, such as lower power bills, and the upfront costs they impose onto households and businesses. It is also important to check whether these settings cause unintended consequences, for example if the increased insulation causes dampness issues, and overheating.
- 58 MBIE officials have been engaging with key building and construction sector stakeholders to understand their experience implementing the 2021 changes to H1 settings. Feedback received in this engagement indicated the 2021 H1 changes were generally supported in principle by sector participants but there were some clear opportunities to improve how different methods can show compliance with H1.
- 59 Part of this work involved MBIE commissioning an updated cost-benefit analysis to investigate if the 2021 changes to the H1 settings create undue dampness or overheating risks.
- 60 Building Research Association of New Zealand (BRANZ) cost-benefit analysis suggests that the long-term energy efficiency benefits outweigh the additional upfront cost although the balance between costs and benefits depends on the compliance method that is used.
- 61 BRANZ also assessed whether the current H1 insulation requirements are creating overheating and internal moisture risks in housing. The research confirmed that housing overheating is not simply caused by insulation, rather it is a combination of design factors such as sun heat gains during the day, window shading, heat absorption properties of building materials, as well as ventilation and building orientation.
- 62 MBIE has just released a public discussion paper that proposes to optimise insulation to better balance upfront building costs and longer-term benefits. Feedback on this paper closes on 28 February 2025.
- 63 Should MBIE proceed with any changes as a result of its review of H1 settings, the chief executive will be required to follow the process set out in section 29 of the Building Act which includes impact analysis and public consultation. I intend to update Cabinet on the outcomes of the review.

Cost-of-living Implications

- 64 There are unlikely to be cost-of-living implications arising from the proposals in this paper, given that the measures are designed to encourage and enable, rather than impose regulation on a mandatory basis.

Financial Implications

- 65 There are no financial implications as a result of this Cabinet paper.

Legislative Implications

- 66 There are no immediate legislative implications as a result of this Cabinet paper. I will be reporting back to Cabinet with detailed policy decisions, separately.

Impact Analysis

Regulatory Impact Statement

- 67 There are no regulatory proposals in this paper, therefore Cabinet's impact analysis requirements do not apply.

Climate Implications of Policy Assessment

- 68 The Climate Implications of Policy Assessment (CIPA) team from the Ministry for the Environment has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.
- 69 This proposal aims to bring a work programme to the Cabinet's attention; it does not include specific proposals. Future proposals related to the building and construction climate change programme may trigger CIPA requirements, as they focus on energy efficiency, green or low-carbon buildings, and climate-resilient construction. Specific proposals will return to the Cabinet for a CIPA assessment at a later stage.

Population Implications

- 70 There are no population implications as a result of this paper.

Human Rights

- 71 There are no human rights implications arising from the proposals in this paper.

Use of external Resources

- 72 No external resources were used directly in the preparation of this paper.

Consultation

- 73 The following agencies have been consulted: the Department of the Prime Minister and Cabinet, the Ministry of Foreign Affairs and Trade, the Department of Internal Affairs, the Ministry for Primary Industries, the Ministry of Housing and Urban Development, the Ministry for the Environment, the Ministry of Health, the Ministry

IN CONFIDENCE

for Regulation, the Treasury, Kāinga Ora, the National Emergency Management Agency, Te Waihanga and the Energy Efficiency and Conservation Authority.

Communications

- 74 I propose to publicise decisions in relation to this Cabinet paper in a way that complements the Government's messaging in relation to ERP2 and other climate-relevant policy.

Proactive Release

- 75 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, in accordance with the Cabinet Office Circular CO (18)4, with any appropriate redactions.

Recommendations

The Minister for Building and Construction recommends that the Cabinet Economic Policy Committee:

- 1 **note** that Cabinet previously agreed my overall priority should be to create an efficient, competitive building regulatory system and reduce overall building costs [CAB-24-MIN-0069 refers];
- 2 **note** that I intend to refocus the approach to climate change in the Building and Construction portfolio to provide information, tools and incentives to support greater uptake of low carbon, energy efficient and climate resilient building practices;
- 3 **agree** to rescind the previous Cabinet policy decisions to mandate energy performance ratings, introduce waste minimisation plans and clarify the purposes and principles of the *Building Act 2004* in DEV-22-MIN-0216 and DEV-23-MIN-0072;
- 4 **agree** that officials report back to me with detailed advice on how a partial or full waiver of the building levy, and fast tracking of building consents for green buildings may be used that supports the governments climate obligations;
- 5 **agree** that New Zealand become a signatory to the Declaration de Chaillot to strengthen international collaboration on low-carbon and climate resilient building practices.

Hon Chris Penk

Minister for Building and Construction

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Appendix One: DEV-22-MIN-0216 Minute: Building for Climate Change – Proposed Amendments to the Building Act 2004

Appendix Two: DEV-23-MIN-0072 Minute: Building (Climate Change Response) Amendment Bill: Additional Policy Decisions

Appendix Three: The ‘Declaration de Chaillot’