

New Zealand Green Building Council submission on Capital Markets Reforms - 14th January 2025

Thank you for the opportunity to make a submission on the Capital Markets Reforms.

Te Kaunihera Hanganga Tautaiiao | the New Zealand Green Building Council (NZGBC) is a 700-member organisation comprising property owners, construction firms, suppliers, banks, and research institutions focused on improving the environmental sustainability of buildings and building methods.

We represent the construction industry's expertise on sustainability and, in collaboration with sector experts, design and operate the Green Star and Homestar certification programmes that are the benchmarks for the environmental sustainability of buildings in Aotearoa New Zealand. We also run the NABERSNZ energy efficiency regime on behalf of central Government.

Context

Many of our members are delivering Climate Related Disclosures. From property developers and managers such including Goodman Property Group, Precinct, Stride, Argosy, Property For Industry, Kiwi Property, Oceania, Metlifecare, Arvida and Vital Healthcare, to suppliers such as Fletcher Construction, and financial services including ANZ, ASB, BNZ and Westpac.

We assist a wide range of entities, including supermarkets, shopping centres, local authorities, banks and others to deliver lower carbon healthier homes and buildings and to consider climate related risks and ameliorate them in design. We are proud that a number of members use our tools such as Green Star and Homestar to reduce transition and physical risks.

The NZGBC delivered [the Climate Scenarios for the Property and Construction Sector](#) to assist our sector to create common climate scenarios for their reporting.

Our response

We support continuous improvement of the climate related disclosure regime.

The review seems to include a limited number of views that do not appear to capture the full feedback from those involved in delivering CRDs

A number of our members have set out that the initial year of reporting is likely to be the most expensive and time-consuming. They expect costs to reduce considerably over time.

Rather than just viewing it as a cost, many climate reporting entities appreciate it as an investment to better understand their risks, and that the strategic level of analysis is useful for improving their business.

There is an argument in the review that the changes will align with Australia. It is not clear that this is the case considering Australia;

- has a larger regime for private entities
- also ratchets up involvement of companies over time - Australia will have a threshold lower than the current New Zealand level by 2027.
- has a more detailed reporting requirements. An [analysis of the two countries' systems](#) by MinterEllisonRuddWatts concluded that Australia had **more** detailed reporting requirements, covering "a significantly **wider** group of entities".

Australia is one country. It would seem to be more useful to consider the regimes of other key markets that New Zealand trades with such as the EU and US regimes.

Reporting thresholds

The reporting thresholds proposed under Option 3 should not to be taken ahead. This increases then decrease thresholds which we believe is unhelpful. It would create unnecessary complexity for both preparers and users of climate-related disclosures. We do not support this recommendation.

The proposal to let ministers set the reporting thresholds, rather than keeping the figures in the primary legislation, could undermine the consistency of the regime. It risks each incoming government changing the thresholds leading to inconsistency for investors and companies. We do not support this recommendation.

The heavy lifting has been done - it seems a shame to throw away the progress made by many entities. Particularly as some of these options considered in the review recommend many entities begin reporting again in a few years time. We believe it is useful to continue momentum, and to stick to the current number of companies reporting.

The NZGBC supports the purpose of the CRD scheme in promoting transparency on climate-related risks and opportunities. It enables more informed business and investment decisions. It helps deliver progress toward a low-emissions, climate-resilient economy.

We are in a climate crisis and New Zealand continues to struggle to meet its climate emissions reduction requirements. The climate report regime as it currently stands ensures more of the industry is driving towards considering and reducing transition and physical risks. We need greater reductions in emissions, not less.

NZX

Many overseas jurisdictions are adding CRD as requirements. Not having CRD is likely to restrict the ability of many entities to attract overseas capital.

The NZGBC has a similar experience. Some property firms are setting out that without a green certification on their buildings the property portfolio will not gain international investment. New Zealand needs to stay attractive to overseas investment, not move away from this opportunity.

No evidence was provided to support the suggestion that companies are avoiding listing on the NZX because of the compliance burden. It would be useful if this could be set out. New Zealand is dependent on our reputation as being clean and green. Indeed, the broad majority of our exports go to countries with reporting regimes. Scaling back risks damaging our reputation and our export markets.

Summary

We are concerned that much of the evidence provided as justification for the proposals is anecdotal rather than robust analysis. It is likely some of the disquiet with the current regime is due to the heavy workload of the first year of it coming in. We believe this will reduce over time as they get processes and systems in place, and it becomes business as usual.

We recommend focusing on a broad range of markets rather than just Australia. There is a global move to a low-emissions economy. Climate-related disclosures help our transition and ensures New Zealand businesses remain attractive. We believe reporting is an important part of climate policy in Aotearoa.

We recommend that there is limited change from this review, and proposed instead this regime bed down. We would welcome another review in 3 years time, once there is adequate information about implementation costs and benefits.

We hope this has been useful. Thank you for the opportunity to submit.

Nga mihi nui

Andrew Eagles, CEO,

New Zealand Green Building Council