

BraveTrace Submission on the Draft Climate Reporting Roadmap

Consultation period ending 30 September 2026

1. Overall Position

BraveTrace supports the strategic direction set out in the draft climate reporting roadmap: adopting IFRS S2 as the basis for a New Zealand climate standard, while considering trans-Tasman harmonisation and targeted modifications for the New Zealand context. This approach should improve international comparability, reduce duplication for entities operating across borders, and provide a durable basis for climate-related reporting.

BraveTrace's principal recommendation concerns Scope 2 greenhouse gas emissions. NZ IFRS S2 should retain the IFRS S2 requirement to disclose location-based Scope 2 emissions and add an explicit requirement to disclose a market-based Scope 2 emissions total where qualifying contractual instruments are available. The two figures should be presented together, with transparent information about the contractual instruments, accounting methods and residual supply mix used to determine the market-based result.

We consider this a proportionate New Zealand-specific modification because New Zealand has an established market for contractual electricity attributes and a functioning residual supply mix mechanism. It would provide users with information about both an entity's exposure to the electricity system in which it operates and the electricity procurement choices reflected in its contractual instruments.

2. Scope 2 and market-based reporting

The proposed adoption of IFRS S2 is directionally positive for electricity emissions reporting, but it still does not require a market-based Scope 2 total. IFRS S2 requires gross Scope 2 emissions measured using a location-based approach and information about contractual instruments that is necessary to inform users' understanding of those emissions.

There is a strong case for requiring a market-based Scope 2 emissions total alongside the location-based total in New Zealand, even if Australia does not currently require this. A location-based total alone may provide an incomplete picture of an entity's electricity-related emissions and procurement choices in New Zealand. New Zealand's high national renewable share means that location-based emissions can be relatively similar across entities, even where their electricity procurement arrangements and use of contractual instruments differ.

Market-based information is particularly relevant to assessing an entity's transition strategy, progress against renewable electricity commitments, and exposure to electricity procurement and certificate markets. Relying on the location-based figure alone could therefore obscure meaningful differences between entities, including differences in renewable electricity procurement and progress against stated renewable electricity commitments. Reporting both measures would preserve information about the underlying electricity system while making those differences visible to users.

New Zealand also has the market infrastructure needed to support credible market-based reporting. It has an established voluntary certificate market and residual supply mix (RSM). Once renewable attributes are claimed and certificates redeemed, they must be removed from the residual mix to prevent the same attributes being claimed by others. A consistent market-based Scope 2 methodology therefore requires a transparent, independently reproducible and regularly updated RSM for New Zealand. In a market with transferable energy attributes, the RSM provides the mechanism for avoiding double counting by reflecting the attributes remaining after claimed attributes have been allocated.

For New Zealand, BraveTrace recommends a clearer dual-reporting approach rather than treating the two methods as alternatives. Location-based reporting describes emissions associated with the average grid mix in the area where electricity is consumed. Market-based reporting describes the emissions associated with the electricity products and contractual instruments an entity has chosen. Read together, these measures allow users to distinguish grid exposure from procurement decisions.

Scope 2 should remain an attributional inventory measure. Claims about the wider emissions impact or contribution of electricity procurement or new generation should be reported separately and substantiated using an appropriate impact methodology.

3. New Zealand electricity context

Local relevance is important because New Zealand has a highly renewable, hydro-dominated electricity system. Hydropower provides around 60% of generation, and hydroelectric reservoirs can store water and vary output as wind and solar production changes. This flexibility allows additional intermittent renewable generation to be absorbed across hours and seasons and helps displace thermal generation. Rules designed principally for fossil-heavy systems with frequent renewable curtailment may therefore impose additional costs and complexity here without a corresponding improvement in emissions outcomes.

For Scope 2 reporting, BraveTrace recommends that New Zealand be treated as a single national electricity accounting boundary unless there is evidence that a more granular geographic boundary would provide materially more decision-useful information. The North and South Islands are interconnected through the national transmission grid and HVDC link, allowing electricity and reserves to flow between the islands. While the wholesale market incorporates locational pricing and transmission constraints, these features do not mean that Scope 2 reporting should require companies to match electricity procurement to specific islands, regions or nodes.

4. Recommended New Zealand requirements

BraveTrace recommends that NZ IFRS S2 require entities that use contractual instruments for Scope 2 accounting to:

1. Disclose both location-based and market-based Scope 2 emissions, with neither figure presented as a substitute for the other.
2. Use New Zealand's national grid as the relevant market boundary and retain annual matching as the baseline approach, while allowing voluntary more granular reporting.
3. Identify the contractual instruments used, including energy attribute certificates, supplier-specific products and power purchase agreements, and use a recognised registry or equivalent auditable system.
4. Apply a credible New Zealand residual supply mix (RSM) to unclaimed electricity, calculated by removing redeemed voluntary claims so renewable attributes cannot be counted twice.
5. Describe relevant quality and eligibility criteria, certificate redemption or cancellation, data limitations and estimation methods.

6. Apply assurance consistently to reported Scope 2 totals and the key information supporting market-based reporting, including contractual instruments, certificate quantities, redemption or cancellation records, and residual supply mix inputs.

These additions would complement, rather than displace, IFRS S2. The consultation document notes that additional jurisdiction-specific disclosures are unlikely by themselves to prevent an entity from asserting compliance with the ISSB climate requirements, provided they do not obscure required information. They are also consistent with the GHG Protocol Scope 2 Guidance, which addresses contractual instruments, quality criteria for market-based data and transparent disclosure of energy purchases.

Furthermore, requiring both location-based and market-based Scope 2 reporting would maintain consistency with the established dual-reporting architecture of the GHG Protocol and with methodologies underpinning widely adopted international initiatives such as SBTi. This would provide a more coherent and interoperable reporting framework for New Zealand entities, many of which already use the GHG Protocol for their organisational emissions inventories and SBTi methodologies for setting and monitoring emissions reduction targets. Requiring a materially different Scope 2 methodology for NZ IFRS S2 creates unnecessary duplication, increases reporting complexity and potentially requires entities to maintain parallel emissions calculations.

5. Future changes to the GHG Protocol

IFRS S2 requires entities to use the GHG Protocol Corporate Standard, but the GHG Protocol's Scope 2 framework is under review. The XRB should not automatically incorporate any future requirements for hourly matching, narrower geographic matching or Standard Supply Service allocation into New Zealand reporting. Any such change should be subject to separate consultation and a demonstrated New Zealand benefit.

BraveTrace's January 2026 response to the GHG Protocol consultation explains that mandatory hourly matching could add significant data, contracting and assurance costs in New Zealand, particularly for smaller electricity users and independent generators. These costs should be considered alongside the potential information benefits of more granular matching. If international rules ultimately require hourly matching, New Zealand should assess whether a high-renewable-system approach or proportionate thresholds for smaller electricity users are appropriate.

6. Implementation and timing

BraveTrace supports the proposed long transition period, provided it is accompanied by early and practical implementation guidance and periodic review of market readiness. Defined review points would allow the XRB to assess whether the reporting ecosystem, assurance capacity, data availability and market infrastructure are developing as expected. During the transition, the XRB should publish practical guidance that enables comparable Scope 2 reporting across NZ CS and early adopters of NZ IFRS S2. That guidance should be developed with reporting entities, assurance practitioners, electricity market participants and certificate providers.

Guidance should recognise registries or equivalent auditable systems that meet defined requirements for issuance, transfer, unique identification, ownership, and redemption/cancellation of energy attribute certificates. The NZECS is an established New Zealand system that could provide this evidence. Formally recognising a nationally applicable RSM that removes redeemed voluntary claims would also further strengthen this guidance.

It should also set minimum evidence and record-keeping requirements for Scope 2 reporting. Clear guidance at the outset will help promote consistent reporting and reduce assurance costs as market-based Scope 2 reporting develops.

7. Conclusion

BraveTrace supports progressing the roadmap and an exposure draft of NZ IFRS S2. International alignment is important, but local relevance should include explicit, robust market-based Scope 2 disclosure alongside the mandatory location-based figure. This would preserve comparability while giving primary users clearer information about both electricity-system exposure and corporate electricity procurement choices.