

30 September 2026

External Reporting Board

via e-mail: sustainability@xrb.govt.nz

Submission on Draft Climate Reporting Framework

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.
2. We welcome the opportunity to comment on the External Reporting Board's (XRB) [Draft Climate Reporting Roadmap](#). Several of our members are affected by the proposals both directly as climate reporting entities ('CREs') and indirectly through parent companies, supply-chains and voluntary reporting.

Key messages

3. We support climate-related reporting that provides useful, proportionate, and decision-relevant information in an efficient and cost-effective way to investors, lenders and other primary users. This can be achieved by simplifying and standardising approaches, for example, using templates. We also support international alignment where it reduces duplication and compliance costs for New Zealand businesses operating across borders.
4. The transition from the *Aotearoa New Zealand Climate Standards* ('NZ CS') to the *New Zealand International Financial Reporting Standard S2 – Climate-related Disclosures* ('NZ IFRS S2') should introduce the IFRS S2 as an international standard carefully and with flexibility.
5. New Zealand has already implemented a mandatory climate reporting regime, and reporting businesses have invested significantly in systems, processes, expertise and assurance to comply with NZ CS.

6. The priority now should be stability, proportionality, and lower compliance costs, rather than a substantial increase or change in reporting requirements.
7. We therefore support the broad objective of international alignment but consider that the proposed implementation should take a flexible and more proportionate approach tailored to New Zealand's unique circumstances.

Recommendations:

8. We recommend:
 - a providing a flexible transition period (options 2 or 3, or some combination of the two) so that NZ IFRS S2 becomes compulsory by January 2033 but voluntary adoption before then is allowed;
 - b using New Zealand-specific modifications to remove (or make optional) requirements that add cost without substantially improving useful information;
 - c that entities should be permitted to use reasonable estimates or explain the limitation rather than incur significant additional costs to generate bespoke information;
 - d minimising the indirect compliance burden imposed on non-CRE businesses through Scope 3 and value-chain data requests; and
 - e ensuring that entities can maximise existing systems, data and overseas reporting rather than creating New Zealand-specific reporting systems.

The broader context

9. In our view, climate reporting is important but must remain firmly focused on its core purpose: providing useful information that helps investors, lenders and other providers of capital, as well as government, to make informed decisions. This objective has been central to the ISSB framework and to New Zealand's climate reporting regime to date. As the framework evolves, maintaining that focus will be important to preserving the credibility, usefulness and proportionality of climate-related disclosures.
10. As jurisdictions around the world move from policy development to implementation, there is increasing recognition of the need to balance transparency objectives with implementation costs, economic competitiveness, confidentiality, investment attraction and practical delivery considerations. Regulators are increasingly assessing not only the benefits of additional disclosure, but also whether reporting requirements provide meaningful

information and a net-public benefit that justifies the associated compliance burden.

11. Recent international developments highlight this evolving approach. As jurisdictions gain practical experience implementing sustainability reporting frameworks, there is increasing focus on ensuring reporting requirements remain proportionate, deliver meaningful value to investors and appropriately balance transparency benefits with implementation costs, risk management and broader economic impacts.
12. This broader context is particularly relevant for New Zealand as the country emerges from a challenging economic period and seeks continued investment in energy infrastructure, fuel supply chains and the technologies needed to support its continued evolution. Climate reporting frameworks should support sustainability outcomes while also recognising the importance of economic growth, investment certainty, energy security and energy affordability.

The transition should be flexible

13. We support the XRB's proposal for a long transition period and consider that the proposed 1 January 2033 mandatory date is the least cost option, providing lead-in time to prepare.
14. The current proposal would allow voluntary early adoption from October 2026, with mandatory application from January 2033. The XRB has acknowledged that moving from NZ CS to IFRS S2 will involve transition costs including changes to information systems and processes, GHG measurement, climate resilience assessment, financial impacts, training, internal controls and governance processes. It also acknowledges that IFRS S2 contains more detailed disclosure requirements than NZ CS.
15. We consider that the most cost-effective approach is to:
 - a retain NZ CS as the applicable standard until NZ IFRS S2 is finalised and sufficiently tested;
 - b provide flexibility around early adoption, while recognising the benefits of further guidance and international implementation experience; (for some companies, early adoption may provide stability and align with trading partners, but we cannot assume this on behalf of all companies);
 - c provide at least three full reporting 'test' cycles between finalisation of NZ IFRS S2 and mandatory application; and
 - d defer mandatory application beyond 2033 if significant international or Australian changes occur during the transition.

16. There is little value in widespread transition now before the international standards themselves continue to evolve. However, businesses that are well positioned to adopt earlier should remain free to do so where they consider it beneficial.
17. A longer transition would also allow businesses to incorporate climate reporting into normal financial and business planning processes rather than maintaining parallel systems.

Do not turn international alignment into a regulatory gold standard

18. We support international alignment where it reduces duplication.
19. The XRB itself identifies the potential benefits of IFRS S2 for entities with overseas parents or operations, including the ability to use group systems and expertise and avoid customised New Zealand information-gathering systems. However, the XRB also recognises that harmonisation can impose additional costs on entities that do not have Australian or overseas reporting obligations.
20. This distinction is important for New Zealand's energy sector. We have a range of business needs affected, or indirectly affected, by the proposals. Some will be move from NZ CS to NZ IFRS S2 by obligation. Some are reporting voluntarily using NZ CS as a reference point, while others are operating within multinational groups with their own international reporting requirements and systems.
21. These businesses demonstrate that the reporting landscape is already diverse. A single, increasingly prescriptive New Zealand framework risks requiring businesses to maintain additional New Zealand-specific processes even where equivalent information is already produced for another jurisdiction, parent company, lender or customer.
22. NZ IFRS S2 should therefore recognise equivalent reporting and existing information wherever possible.

Reduce the number of mandatory disclosures

23. We encourage the XRB to use the local modification provisions to make the standard more proportionate.
24. The consultation specifically asks whether IFRS S2 requirements should be removed or changed for New Zealand, including making mandatory disclosures voluntary, removing requirements or permitting alternative approaches.

25. We support using that flexibility. We have comments on three areas of the consultation relating to mandatory disclosures below:

1. Scenario analysis

26. Scenario analysis can be valuable, but it can also become highly resource-intensive, particularly for businesses with complex assets, long-lived infrastructure and uncertain future technology, fuel and market conditions.
27. NZ CS currently requires a minimum of three scenarios, whereas IFRS S2 does not prescribe a number.
28. We support the more proportionate IFRS S2 approach. Entities should be permitted to determine the number and type of scenarios that are most relevant to their business, with a requirement to explain the approach taken. A mandated number of scenarios should not be retained merely because it is already part of NZ CS.

2. Industry-based disclosures

29. We support Options 2 or 3 in the consultation.
30. The XRB notes that the ISSB industry guidance covers 77 industries and more than 500 pages. Australia has removed the corresponding mandatory industry-based requirements, while the UK has made the guidance optional.
31. There is a strong case for New Zealand to follow these more proportionate approaches. Businesses should not have to demonstrate that they have considered hundreds of pages of industry guidance simply to determine whether additional disclosures might apply.

3. Anticipated financial impacts

32. The requirements concerning anticipated financial impacts should remain subject to strong proportionality.
33. Where reliable quantitative information cannot reasonably be produced, an entity should be able to explain the limitation rather than incur substantial costs developing increasingly speculative estimates.
34. Climate reporting (and forecasts) should not require businesses to create a level of forecasting precision that is not achievable or useful for ordinary financial reporting.

Make proportionality a genuine flexibility feature

35. We are concerned that references to proportionality can provide less protection in practice than they appear to provide on paper.
36. A business should not face significant compliance costs simply to demonstrate that it has considered whether a disclosure is required.
37. The final NZ IFRS S2 should provide clear, authoritative guidance that:
 - a reasonable estimates are acceptable;
 - b estimates based on readily available information are preferable to costly bespoke data collection;
 - c irrelevant information does not need to be collected simply because it could theoretically be disclosed;
 - d entities can explain data limitations rather than remediate every limitation;
 - e entities can use existing financial, operational and emissions systems;
 - f entities can cross-reference information already disclosed elsewhere; and
 - g entities are not expected to produce false precision for long-term scenarios.
38. This is particularly important for Scope 3 and value-chain information.

Do not push the compliance burden down the energy supply chain

39. The legal population of climate reporting entities is relatively narrow, but the practical reporting footprint is much wider.
40. A CRE may require information from suppliers, customers and other participants in its value chain to support Scope 3 and other climate-related disclosures.
41. That means the costs of climate reporting can extend beyond the entities legally required to report.
42. For example, a CRE may need information relating to its gas supply, fuel use, purchased energy and other parts of its value chain.
43. Some businesses with international parent companies may consequently face requests for increasingly detailed emissions and climate information even where they are not themselves CREs.

44. Non-mandatory/voluntary reporting CREs will have developed climate-related disclosures aligned with NZ CS.
45. This creates a risk of regulatory reach extending well beyond the statutory reporting population.
46. We therefore recommend that the XRB explicitly consider the indirect compliance costs created for non-CREs.
47. CREs should not be expected to obtain information that is:
 - a unavailable at reasonable cost;
 - b disproportionately costly relative to its usefulness;
 - c based on speculative assumptions;
 - d duplicative of information already available from recognised sources; or
 - e generated solely to satisfy an overly prescriptive interpretation of Scope 3 requirements.
48. Where value-chain information is unavailable or unreliable, the reporting entity should be able to use reasonable estimates and clearly explain limitations without being required to commission bespoke data from every supplier or counterparty.

Recognise existing reporting and avoid duplicate systems

49. The energy sector includes businesses with complex international ownership and reporting arrangements.
50. International businesses or those with parent-company reporting systems may already produce climate-related information. For some, voluntary NZ CS-aligned reporting is already being undertaken.
51. The final framework should allow businesses to build on what they already do, rather than requiring a new reporting architecture.
52. We think there should be recognition of equivalent overseas reporting and methodologies, and maximum use of parent-company systems and information and cross-referencing, with clear guidance on how this applies.
53. There should be no requirement to reproduce information already available in annual reports or other regulatory disclosures. This would directly support the

XRB's stated objective of reducing duplication and New Zealand-specific information-gathering systems.

Avoid unnecessary assurance and evidential costs

54. The costs of climate reporting extend beyond preparing the report itself. They include data systems, consultants, legal advice, technical specialists, internal controls, governance processes and assurance.
55. The XRB's own previous consultation work has recorded stakeholder concerns about high compliance costs, disproportionate impacts on smaller entities, data availability and the diversion of resources away from emissions reduction and adaptation activities.
56. The framework should distinguish between:
 - a information that is useful and proportionate to collect, and
 - b information that can only be generated through substantial additional assurance or verification costs.
57. The objective should not be to replicate the evidential architecture of financial statements for every climate disclosure.

Climate reporting should support, not displace, productive investment

58. The energy sector is particularly capital intensive. Companies are making long-term investment decisions involving generation, gas supply, networks, fuel infrastructure, storage, transport and other assets. Capital and skilled personnel devoted to compliance cannot simultaneously be devoted to investment, innovation and emissions reduction.
59. We consider that the cost-benefit test for NZ IFRS S2 should explicitly recognise opportunity costs.
60. Where the incremental information generated by a disclosure is unlikely to materially change the decisions of primary users, the requirement should be simplified or made voluntary.
61. The XRB should particularly consider this issue for smaller or non-CRE businesses that incur costs because they sit within the value chains of reporting entities.

Concluding comments

62. Energy Resources Aotearoa supports climate-related reporting that is credible, comparable and useful to investors and other primary users. However, New Zealand should not assume that more disclosure automatically produces better outcomes.
63. The transition from NZ CS to NZ IFRS S2 should be designed around three principles: useful information, proportional requirements, and low compliance costs.
64. We recommend that the XRB:
 - a adopt the proposed 2033 date with flexibility to allow international standards and implementation practice to stabilise;
 - b allow voluntary early adoption while ensuring businesses have sufficient guidance, implementation experience, and transition time before mandatory application;
 - c provide at least three full 'test' reporting cycles between finalisation and mandatory application;
 - d remove or make optional industry-based disclosures and avoid retaining New Zealand-specific requirements without clear evidence of benefit;
 - e adopt the more flexible IFRS S2 approach to scenario analysis rather than retaining NZ CS's mandatory three-scenario requirement;
 - f strengthen proportionality and provide flexibility when information is unavailable, uncertain, or too costly;
 - g maximise recognition of equivalent New Zealand and overseas reporting;
 - h permit use of cross-referencing and existing data systems; and
 - i explicitly assess the indirect compliance costs imposed on non-CRE energy businesses through Scope 3 and value-chain reporting.
65. The XRB has an opportunity to establish a climate reporting framework that is internationally credible without becoming unnecessarily costly or complex. For New Zealand businesses, particularly those operating in capital-intensive sectors such as energy, the test should be whether each additional disclosure provides sufficient decision-useful information to justify the cost of producing it.
66. We support a framework that passes that test.