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Rethinking scope 2 strategies in New Zealand

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As scope 2 reporting rules evolve and renewable generation accelerates, 2026 could be an important year to look at your scope 2 emissions strategy

The Greenhouse Gas Protocol (GHGP) has recently closed its public consultation on proposed amendments to the rules for scope 2 emissions accounting. These proposals include changes to both location-based and market-based methods.

The potential requirement for hourly matching within both methods could have a material impact on the strategies New Zealand organisations need to take towards their scope 2 emissions targets and strategy. Hourly matching requirements could increase the economic incentive for companies to contract with renewable generators which produce output at times which match their own demand.

These changes come against a backdrop of increasing renewable penetration into the national grid. In combination with the proposed amendments, New Zealand entities may find it easier to set and meet moderate scope 2 emission targets, but more difficult to meet zero or near-zero targets.

Organisations should pay most attention to these issues if they are: setting or reviewing their scope 2 targets, establishing or reviewing their plans to deliver on scope 2 targets or contracting or re-contracting for renewable energy certificates (RECs)/power purchase agreements (PPAs) on a multi-year basis.

Entities should understand the key proposed changes to scope 2 reporting and what this might mean for their emissions strategy:

- 01** | What are the key proposed changes to scope 2 reporting?
- 02** | How are New Zealand entities likely to be affected?
- 03** | New Zealand's electricity generation pathway and the impact this will have on emissions
- 04** | What should New Zealand entities do to prepare for the changes?



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The GHGP has proposed the following key changes to scope 2 accounting to better reflect a modern reporting landscape. The public consultation closed on 31 January 2026 and, any changes agreed on are expected to be in place by the end of 2027, with a phased implementation following in 2028.

EY has published several articles outlining what the GHGP's scope 2 consultation means globally.¹ This document will focus on the potential impacts for New Zealand entities if these proposals are adopted.

Scope 2 Guidance: key revisions included in public consultation

The proposed structure of the updated scope 2 reporting framework includes changes to both the location-based and market-based methods, as well as including some implementation measures to smooth any transition to a new reporting system.

Location-based method	Market-based method	Implementation measures for feasibility
<ul style="list-style-type: none"> ▪ Time and location-specific emissions factors: New rules will prioritise emission factors that reflect the actual grid mix at the time (specific hour) and place of consumption, increasing complexity but improving accuracy ▪ Requirement to use the most precise location-based emission factor accessible for which activity data is also available ▪ Definition of accessible: publicly available, free to use, from a credible source 	<ul style="list-style-type: none"> ▪ Hourly matching: Entities must match renewable energy purchases to consumption on an hourly basis, preventing "double counting" and strengthening emissions reduction claims ▪ Deliverability: all certificates must be sourced from generation deemed deliverable to the load ▪ Standard Supply Service (SSS): New guidance and requirement that a reporting entity shall not claim more than its pro-rata share of SSS² ▪ Updated definition of residual mix and where no residual mix is available, mandating the use of fossil only rates 	<ul style="list-style-type: none"> ▪ Exemption thresholds to provide flexibility for smaller organisations (although the methodology and thresholds has not been proposed) ▪ Legacy clause is under development for existing investments and contracts ▪ Load profiles to translate annual or monthly data into hourly data where hourly data isn't available

Figure adapted from <https://ghgprotocol.org/blog/upcoming-scope-2-public-consultation-overview-revisions>

These proposed amendments would require organisations reporting under the GHGP to use more granular data to put their scope 2 emissions figures together. A number of submitters to the GHGP scope 2 consultation, including New Zealand's External Reporting Board (XRB) and EY Global, pointed out the challenges these new approaches would bring for some reporting organisations.

¹ https://www.ey.com/en_gl/insights/ifrs/what-the-ghg-protocol-scope-2-consultation-means

https://www.ey.com/en_gl/technical/ifrs-technical-resources/ghg-protocol-consults-on-amendments-to-scope-2-guidance

² Note that the wording within the consultation document defining SSS has the potential to freely allocate (at least) hydro RECs from the three majority government-owned gentailers to all consumers. However, this is a very challenging area of the proposed amendments to apply in its current form, it prevents the development of a level playing field in the market and has received pushback from consultation respondents in New Zealand.

The most material impact on New Zealand entities would be if the requirements for hourly matching of electricity consumption data and emissions factors are retained in the final scope 2 guidance. Location-based emissions reporting would become more complex but changes would only be material where reporting entities have a load profile that is significantly different from the national average. However, the impact of changes to market-based reporting would be wide-ranging and particularly challenging for entities with (scope 2) emission reduction targets which rely on zero or near-zero scope 2 emissions.

Location-based method impacts in New Zealand

The proposed amendments would require entities to prioritise accessible emissions factors in the following order - location (local boundary, operating grid boundary, grid-wide or national), time matching (hourly, monthly, annual) and finally based on consumption as opposed to production. For New Zealand, with its single well-connected grid³, entities will primarily use the national grid factor, so the first requirement won't change the status quo. The impact of the second requirement (time matching) will depend on the accessibility of hourly emissions factors data. This is because while hourly consumption data is already widely available, hourly emissions factors are currently only available as part of a paid subscription service. The obligations for entities to use hourly matching in New Zealand would therefore strongly depend on whether the hourly emissions factors are made available for free in the future. Finally, as stored electricity volumes are still negligible, these last changes are unlikely to significantly affect location-based calculations.

The proposed changes to the location-based method on emissions data would mostly impact the reported scope 2 emissions from entities which have a load profile which is substantially different to the national average. New Zealand's national electricity demand varies on an hourly, daily and seasonal basis, with demand higher over morning/evening peaks, outside of holiday periods and during winter. Periods of higher demand have historically exhibited greater emissions intensity as thermal power stations burning coal and gas have met these periods of peak demand. This makes the timing of electricity demand a key driver of scope 2 emissions and is part of the rationale from the GHGP for their proposed amendments. However, the correlation between electricity demand and emissions intensity is likely to weaken in the future as more renewable generation and battery storage is installed on the national grid.



³ Note the consultation document from the GHGP suggested that New Zealand has two synchronous grids (North Island and South Island) but from an emissions intensity perspective these grids behave as a single grid, so our expectation is that this would be corrected before finalisation

Market-based method impacts in New Zealand

The consultation proposes to require hourly matching of contractual instruments, such as RECs, energy attribute certificates or PPAs, to the actual consumption of electricity. This hourly matching requirement could reduce the effectiveness of these instruments at reducing scope 2 emissions reported under the market-based method. This is because it would remove the ability entities have under the current scope 2 guidance to consider their scope 2 emissions on an annual basis.

To illustrate the impact of the proposed changes, consider an entity reporting under the GHGP rules which consumes 100MWh of electricity annually, spread evenly across every hour of the year. Under the existing scope 2 GHGP rules this entity could reduce its scope 2 emissions to zero by contracting with a solar farm which produced 100MWh of carbon-free power within the same year, even if this solar power was only available for 12 hours each day. However, under the proposed amendments the entity's scope 2 emissions could only be reduced by a half, not to zero as was previously possible because the overnight load can't be matched against daytime solar supply. Even contracting an additional 100MWh from another solar farm wouldn't have any further impact on this entity's scope 2 emissions because it is the overnight consumption which needs to be time matched with clean power production.

This change will incentivise the contracting of renewable or zero-emissions generation that is more temporally aligned with the electricity demand of specific customers (such as wind, geothermal, or hybrid generation) rather than maximising annual volumes from a single technology.

While there are a range of additional steps which this entity could take to further reduce its market-based emissions, they become increasingly complicated, expensive and may still struggle to deliver zero emissions overall. These additional steps include the use of battery storage, adjustments to their demand profile or through contracting with other renewable electricity generators which can supply overnight.

The New Zealand entities with the most exposure to these potential changes are those which are planning to use market-based emissions accounting to deliver on strong scope 2 emission reduction targets. Their challenge under the proposed amendments mirrors the broader context for electricity generation in New Zealand. While reaching 97-98% renewable electricity is not only achievable but also likely, pushing to 100% is expensive as the last few percentage points require disproportionately greater effort and cost. Scope 2 emission reduction targets may increasingly need to be viewed in the same light.



The forecast decline in the carbon intensity of New Zealand's electricity grid provides important context for entities as they decide on their scope 2 emissions target and delivery strategy.

New Zealand's electricity grid is among the world's least emission intensive, with a steadily rising share of renewable electricity (86% of supply in 2024)⁴. In addition, government forecasts indicate that renewable generation volumes are expected to increase further over the next few years.⁵ Figure 1 shows the forecast impact this could have on the emissions intensity of the national grid. The emissions intensity of grid electricity could be 55% lower than 2020 levels in 2030, and 69% lower in 2030. While the pipeline of renewable power stations forecast to come online in the next few years is substantial, the 'dry year' risk within the market will continue to be present. This means the emissions intensity of the grid will still show year-on-year variability in response to hydrological conditions.

The forecast decline in grid emissions intensity is important for entities to incorporate into their scope 2 decision-making as they will get this 'for free' when setting scope 2 targets (on a location-based basis), even before the use of any contractual instruments like RECs and PPAs. While the emissions intensity of grid power will get closer to zero in the future, there is no realistic future where this reaches zero. This makes scope 2 emission targets different from an organisation's overall emission reduction target, which could, through the use of removals, even go below zero.

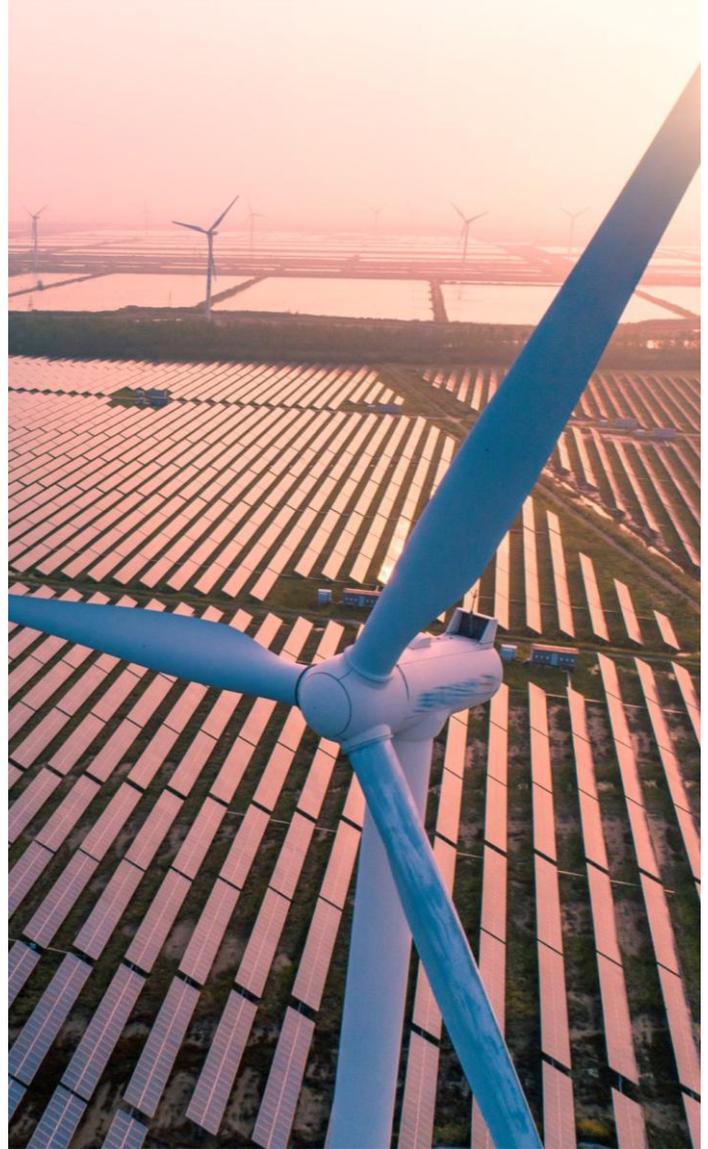
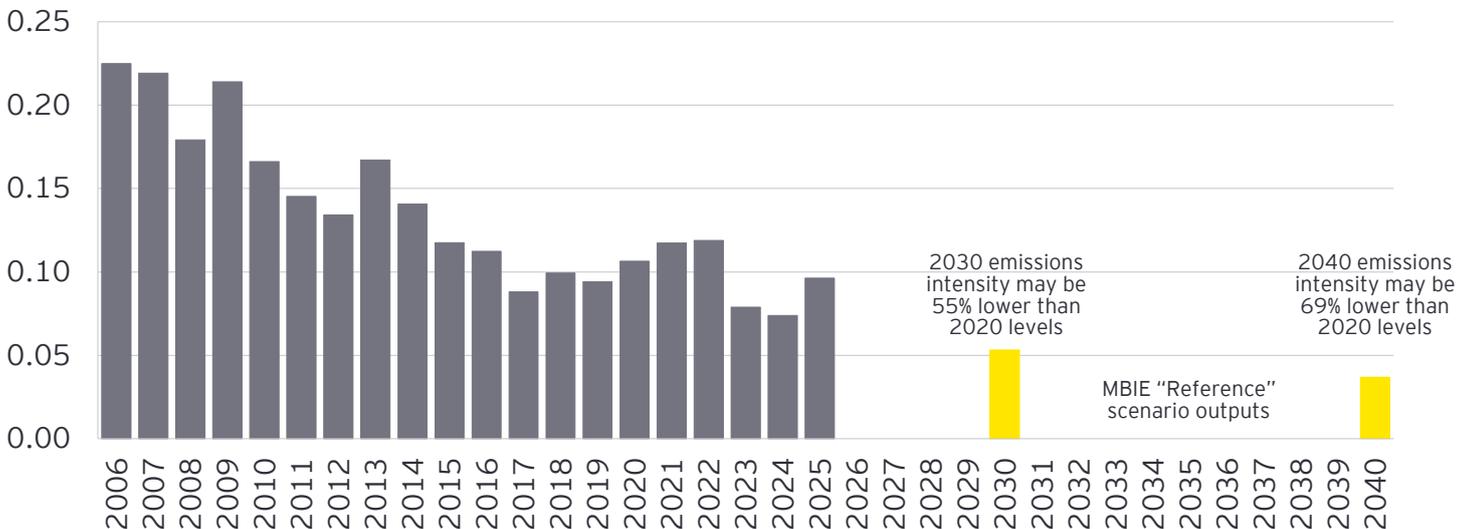


Figure 1: Historical and projected emissions intensity of New Zealand grid electricity (kgCO₂e/kWh)



⁴ https://www.mbie.govt.nz/assets/energy_in_new_zealand_2025.pdf

⁵ <https://www.ea.govt.nz/news/eye-on-electricity/new-zealand-progressing-at-pace-towards-a-highly-renewable-electric-future/>; <https://www.mbie.govt.nz/assets/electricity-demand-and-generation-scenarios-report-2024.pdf>

What should New Zealand entities do to prepare for the potential changes?

While any changes agreed to the scope 2 standard are not expected to be in place until 2027, these proposed amendments are important for New Zealand organisations to consider in the near term if they:

- **Establish or review scope 2 emission reduction targets.** The forecast trends for reducing national grid emissions intensity make setting a substantial scope 2 emission reduction target well within reach of most organisations. However, the proposed changes would make it much more challenging to deliver zero, or near-zero, scope 2 emissions in the future. There might be value in considering how to build in future flexibility in any scope 2 targets to ensure your organisation will have a pathway to achieving them.
- **Establish or review plans for delivering on scope 2 targets.** If your organisation's scope 2 target is to be delivered using a location-based emissions method, you should ensure you are including the forecast reduction in national grid emissions intensity within your calculations. If your plan involves the use of contractual instruments to help reduce scope 2 emissions (such as RECs and PPAs) then it is important that you understand how any instruments you are considering might be treated under the proposed scope 2 rules from the GHGP.
- **Contract or re-contract any market-based instruments (such as RECs or PPAs) on a multi-year basis.** The proposed amendments to the scope 2 rules are consulting on the potential inclusion of a grandfathering provision so that long-term agreements signed before the rules come into effect wouldn't be treated in the same manner as a new contract. Notwithstanding this proposed exemption, there is still value in reviewing multi-year contracts for market-based instruments considering the potential for these changes. Grandparenting provisions create both risks and opportunities for multi-year contracting. Risks, in that a long-term contract may become less valuable to one signatory if/when the rules change. This could occur if a grandfathering provision isn't adopted, if it isn't sufficiently effective or long-term. Opportunities, in that a multi-year contract signed before the rules change might lock in the ability for an organisation to meet zero, or near-zero, scope 2 emission reduction targets. However, while a grandparented claim might meet technical requirements it may still be regarded as lower quality by stakeholders. Entities may want to consider these potential implications within any long-term contracts and whether there are appropriate clauses included to address any changes in the market.



It is important to reiterate that this article discusses topics which are forward-looking and therefore uncertain. The proposed amendments are yet to be finalised and the outlook for the emissions-intensity of New Zealand electricity also depends on a wide range of drivers. There are also a number of feasibility measures within the proposed changes which might be applicable in New Zealand. For example, the proposed amendments include an exemption threshold which would mean smaller entities didn't have to use hourly matching for contractual instruments. Depending on how this threshold is established, many entities in New Zealand might fall below this threshold and be able to avoid the need for hourly matching. The proposed amendments also include the suggestion of a phased implementation approach, meaning that it might be a couple of years after 2027 before all the new rules are in place.



As organisations begin responding to the proposed changes to the Scope 2 guidance, many will need support to navigate the implications for their targets, delivery plans, and long-term contractual arrangements. We can help you consider the risks, opportunities and practical steps across a few core areas:

Target - Setting credible, flexible scope 2 ambitions

We can help you assess how the proposed revisions to the scope 2 standard may affect your current or future scope 2 emissions targets as they may get harder to achieve under new rules. Annual matching of supply and demand might no longer be possible. This assessment should include evaluating how forecast reductions in New Zealand's grid emissions intensity influence the achievability of your goals, and identifying where additional flexibility may be needed to help ensure your organisation retains a viable pathway to meeting your scope 2 emissions reduction targets.

Plan - Designing delivery pathways aligned to future rules

We can support organisations to develop or update plans for achieving their scope 2 targets, whether through location-based methods or the use of contractual instruments. This includes modelling future grid emissions trajectories, assessing how proposed rule changes may affect the role of RECs or PPAs in your decarbonisation approach, and identifying transition pathways that remain robust across a range of regulatory and market scenarios. Your strategy is going to need to be much more location relevant, system aware and temporally aligned.

Contract - Navigating long-term agreements in a changing landscape

With multi-year RECs and PPAs potentially subject to new treatment and grandparenting rules, we can provide guidance on how to structure or renegotiate contracts to manage emerging risks and opportunities. This includes reviewing existing market-based instruments, advising on how proposed rule changes could affect value over the contract term, and helping ensure appropriate protections or flexibility clauses are built into new agreements. There are a wide range of contractual tools available, as well as on-site tools such as electricity storage and load management.

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