Shape the future with confidence

To report, or not to report, that is the question

October 2025

Today the New Zealand government announced that the thresholds for mandatory climate reporting will be rising.

This means more than half of the Climate Reporting Entities (CREs) which are currently mandated to report annually under the Aotearoa New Zealand Climate Standards (NZCS) will have a choice about whether to continue to do so. This option will be available once the legislation is passed, expected to be in the first half of 2026. More details about this announcement are available here.

The decision about whether to continue reporting will be an important decision for impacted organisations. This is because it will have implications for both the work they carry out internally, as well as what they can communicate to stakeholders externally. This question needs to be approached strategically, with a long-term focus and a clear understanding of the trade-offs.

Organisations now presented with this new-found optionality may consider asking themselves four key questions:

01 How much overlap is there between NZCS climate reporting obligations and actions you might choose to take voluntarily?

02 What is the annual delivery cost of climate-related disclosures and how does this compare to the value from these documents?

03 Are there components of the NZCS regime which have more value to your organisation?

04 What future reporting obligations might your organisation have, both here and overseas?

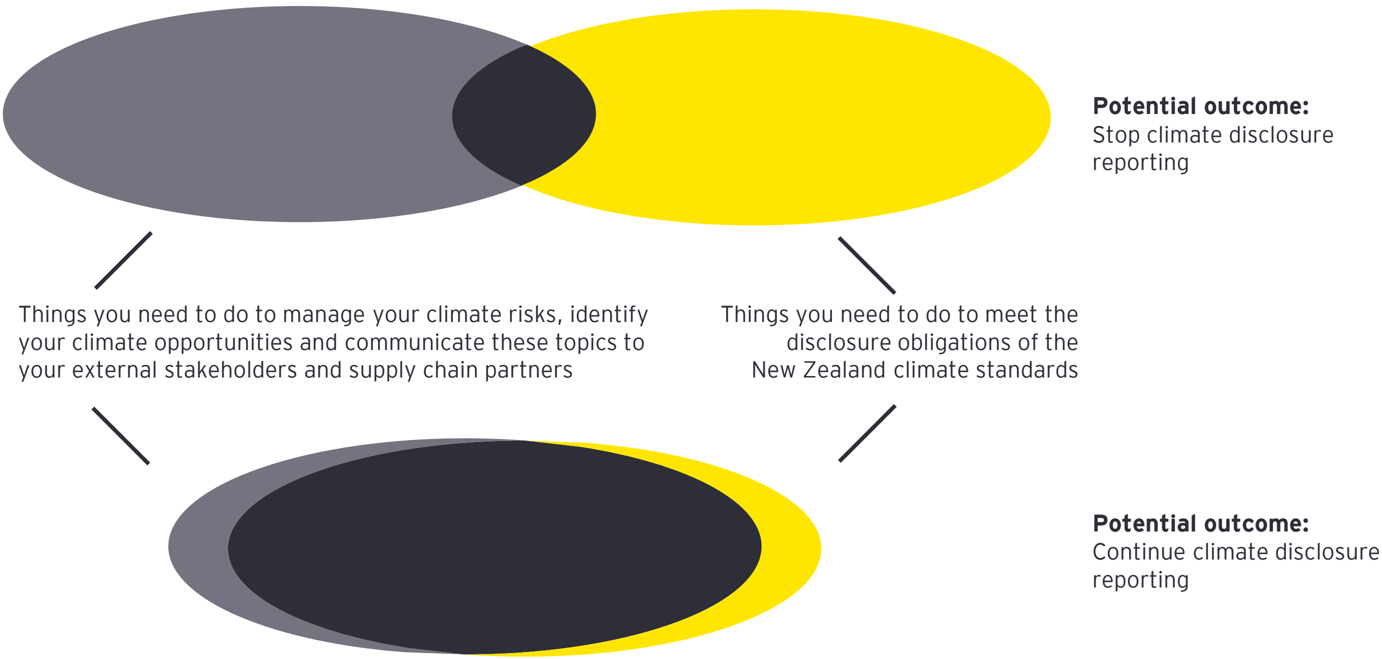
The better the question.
The better the answer.
The better the world works.

Overlap between NZCS and existing requirements

The risks and opportunities posed by climate won't be switched off overnight as your reporting obligation ends, so these topics will continue to deserve attention. CREs are probably now well placed to understand the source, scale and timeframe of these risks and opportunities because of the work which has been undertaken to produce NZCS reports to date. This means that even in the absence of the obligation to report, the organisations which were formerly CREs will need to make decisions about how to manage their climate risks and opportunities on an ongoing basis.

Organisations should consider the overlap between the activities they would decide to do without the reporting obligations, and what the current reporting obligations require. As Figure 1 suggests, if there is a substantial overlap between the actions/disclosures required by NZCS and the actions/disclosures that you would make regardless of the NZCS, then the marginal effort to continue reporting (either fully in accordance with NZCS or through selected disclosures) is much lower.

Figure 1: Overlap between reporting obligations and actions you would likely take anyway



Marginal costs of disclosures going forward

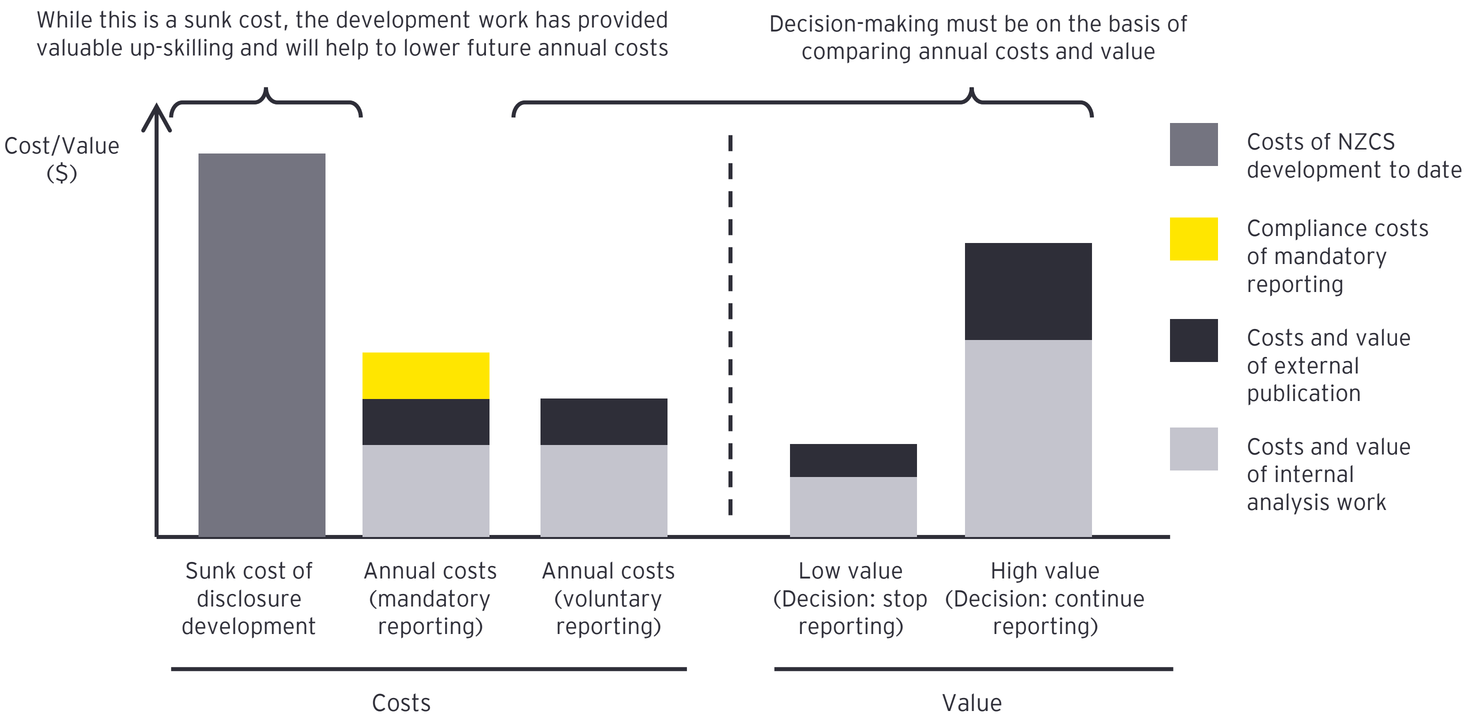
When deciding whether to continue reporting, organisations should focus on the future annual costs and value of reporting, rather than the costs incurred to date. These historical costs were committed to building the internal capability and processes for delivering on the reporting framework. This previous work has likely helped reduce the future cost of reporting, and it is this future cost which is relevant to decisions regarding future reporting.

Figure 2 sets out a framework for thinking about the costs and value to your organisation of continuing to report.

1. There are three different main sources of annual cost:
   - I. **Production costs** include the analytical time to measure metrics and targets, management time to consider risks, opportunities and transition planning, as well as board time for making strategic decisions about these topics.
   - II. **Publication costs** are the time and effort needed to assemble the disclosure material into a public-facing document, including management and board review, and approvals to publish.
   - III. **Compliance costs** are the incremental costs (including additional production and publication costs) associated with producing a mandatory report which might not be needed for voluntary reporting.
2. There are two key sources of value:
   - I. **Internal value** is the benefits which accrue to your organisation for undertaking these analytical and decision-making processes. This value includes better awareness and management of your climate risks and a heightened ability to identify and pursue climate opportunities.
   - II. **External value** is the benefits your organisation accrues from external stakeholders having a clearer idea about what you are doing in this space. These external stakeholders include shareholders, investors and lenders who have important roles in supporting your organisation.

Broadly speaking, your organisation should be evaluating the trade off between these annual costs and sources of value when considering your future reporting, ideally by reporting area, and then using these considerations to decide what this means for your reporting decisions. Where the value of reporting is judged to be higher than the annual costs of reporting, stronger consideration should be given to continuing to report.

Figure 2: How to factor in historical costs, future costs and future value of reporting



Picking and choosing NZCS components

One of the advantages reporting optionality gives to organisations is an ability to pick and choose the NZCS elements which have the most value to them. This means organisations with this optionality shouldn't think about their decision to report as an all-or-nothing outcome, but consider the NZCS elements as a 'menu' to choose from. The considerations set out above, as demonstrated by Figures 1 & 2, should be applied to each disclosure area or element separately.

As organisations have gone through the disclosure development process, they will probably have developed a perspective about the components of NZCS reporting which have had the most value, impact or interest.

Organisations with new-found optionality also have much more freedom about how these disclosure elements could be included in a range of different external-facing documents, without the cross-referencing obligations of NZCS.

This optionality may result in organisations producing short reports detailing key information, such as greenhouse gas emissions and their targets, anticipated impacts from their climate-related risks and opportunities and other metrics. Sections such as governance, risk management, identified material climate-related risks and opportunities, calculation methods and assumptions etc. may become static reporting, that can be updated as required, but otherwise remain unchanged year on year. In our recent report "The future of climate reporting" we highlighted that even organisations which will continue to be CREs have some of these options, however optional reporters have even more flexibility.

Future reporting obligations

Organisations should also consider what their future reporting obligations might be when making any decision about whether to continue reporting or not. This is particularly relevant for businesses with an exposure to international markets, or with business units overseas. While there might be short-term operational cost savings from ceasing to report in New Zealand, there might be higher costs in the future if the tools, systems, processes and team members need to be reinstated to meet future reporting obligations. It has taken most CREs at least three years to build the institutional capacity to report against NZCS, which suggests reporting could probably not be re-started overnight if required in the future. Institutional knowledge won't automatically be retained unless active decisions are taken to support it.

Authors

Matthew Cowie

Partner

Climate Change and
Sustainability Services
Ernst and Young New Zealand

P: +64 21 629 486
E: Matthew.Cowie@nz.ey.com

Pip Best

Partner

Climate Change and
Sustainability Services
Ernst and Young New Zealand

P: +64 27 263 9045
E: Pip.Best@nz.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EYSCORE 004798-25-AUNZ
ED None

ey.com