Scrap Net Zero, Cut the Carbon Tax

ACT will scrap the arbitrary net zero target, repeal the Zero Carbon Act, cut the carbon tax, return ETS revenue to households, protect Kiwi jobs, discourage the conversion of productive farmland to carbon forestry, and make it easier for new technology to deliver cheaper and cleaner solutions.

ACT will not kneecap New Zealand's prosperity for the sake of political virtue signalling. We are not going to impose unnecessary costs on families and businesses so politicians and unelected bureaucrats can boast at international conferences about how ambitious they are.

New Zealand produces just 0.17 per cent of global emissions. That means our climate policy must be grounded in economic reality. There is no virtue in making New Zealanders poorer, shutting down productive industries, or sending jobs overseas for changes that make little difference to global emissions.

ACT will replace the current approach with a climate policy that reduces emissions at lower cost, cuts household bills, protects Kiwi jobs, and keeps productive land in production.

This policy stands alongside ACT's commitment to renegotiate a better deal for New Zealand under the Paris Agreement. If Paris will not accommodate a fairer approach for New Zealand, we should be prepared to leave.

ACT has consistently opposed climate policy that puts political symbolism ahead of New Zealand's interests. In 2016, Labour, the Greens, National and New Zealand First all supported ratification of the Paris Agreement through the Foreign Affairs, Defence and Trade Committee. In 2019, ACT was also the only party to vote against the Zero Carbon Act.

01 Scrap Net Zero and repeal the Zero Carbon Act

New Zealand's current law requires the country to reach net zero by 2050, with steep and costly reductions along the way, regardless of what our major trading partners do.

As a country, we should play our part. But that is the key: our part. If New Zealand's trading partners are not demanding the same costly emissions reductions, we should not sacrifice the jobs, wealth and livelihoods of New Zealanders.

New Zealand should reduce emissions in line with our major trading partners, so we do not deliberately impose costs on ourselves that the countries we trade and compete with are unwilling to bear.

ACT will scrap the arbitrary net zero 2050 target, repeal the Zero Carbon Act and instead tie New Zealand's emissions cap to a trade-weighted average of our major trading partners.

02 Cut the Carbon Tax

The Emissions Trading Scheme (ETS) puts a carbon cost onto petrol, electricity, freight, food and almost everything else New Zealanders buy.

But the Government is not allowing the carbon market to operate properly. This means Kiwis pay higher prices than they otherwise would.
The Government currently sets a minimum auction price for carbon units. In 2026 that minimum was $71 while units were trading on the secondary market in the low $50s. The result has been six failed auctions in a row.

ACT will remove the Government's artificial carbon price floor and allow auctions to clear at a lower price.

This will increase the supply of carbon credits available through Government auctions and put downward pressure on the carbon price, reducing the costs Kiwis face at the pump, the checkout and on their power bills.

03 Give the Carbon Tax back to households

The carbon tax should not become another source of money for politicians to spend.

The Government raises money by auctioning carbon units when the auctions succeed. That revenue ultimately comes from higher costs paid by households and businesses.

ACT will return 100 per cent of net carbon auction revenue directly to New Zealanders through a Carbon Tax Refund.

This will act as an insurance policy for New Zealanders. If the carbon price increases, they will be shielded from its cost-of-living impacts through a larger refund.

If auction revenue becomes so low that delivering individual refunds is impractical, that is good news. It means the carbon price has fallen substantially and Kiwis are already receiving cost-of-living relief through lower prices. In that case, the small amount of revenue would instead be ringfenced to fund other tax relief.

At a carbon price of about $55, the ETS currently imposes an estimated average cost of around $478 a year on a New Zealand household through petrol, electricity and other costs.

04 Protect kiwi jobs from unfair overseas competition

There is no environmental benefit in shutting a New Zealand factory only for the same steel, cement, aluminium, food or other product to be made overseas.

If foreign competitors do not face the same carbon costs, forcing those costs onto New Zealand producers simply exports jobs and emissions.

ACT will protect New Zealand industries exposed to foreign competitors that face lower or no carbon prices.

We will restore industrial carbon assistance to its original 90 and 60 per cent rates where businesses face a genuine carbon-cost disadvantage, stop the automatic phase-down while that disadvantage remains, and allow assistance of up to 100 per cent of an efficient emissions benchmark in exceptional cases.

New Zealand climate policy should encourage cleaner production, not deindustrialisation.

05 Discourage farm to carbon forestry conversions

Kiwi farmers are among the best in the world at what they do. But the current system is rigged against productive farming.

Red tape and distorted carbon incentives can make it more profitable to plant pine trees for carbon credits than to keep productive land in food and fibre production. The result is productive farmland being swallowed up by carbon forestry, hollowing out rural communities and reducing the land available for farming.

There is no good reason for New Zealand to cover productive farmland in permanent carbon forests simply because government policy has made carbon farming artificially attractive.

ACT will rebalance the playing field by fixing the carbon market and reducing the distortions that favour carbon forestry over productive farming.

Cutting the Carbon Tax and scrapping Net Zero will reduce unnecessary upward pressure on carbon prices and make farming relatively more competitive with planting land purely for carbon credits.

Permanent forest owners will also remain responsible for the long-term management of their forests, including pest control and the cost if stored carbon is later released. Those risks should not be dumped on neighbours, ratepayers or taxpayers.

ACT wants land-use decisions driven by what is genuinely productive, not by distorted government incentives. The freer farmers are to compete, invest and grow, the better for rural communities and New Zealand as a whole.

06 Back technology, not taxes

New technology is advancing rapidly and is likely to provide many of the solutions to reducing emissions without sacrificing prosperity.

Government should not try to predict which technologies will succeed or force households and businesses to adopt particular solutions. Its job should be to remove barriers and let people invest, innovate and lower their costs.

ACT will continue to cut red tape to make it easier for households and businesses to adopt new technology and invest in lower-cost, lower-emissions solutions, and will oppose new climate taxes – including any attempt to price agricultural emissions.

ACT is already delivering resource management reforms that will make it cheaper and faster to consent new renewable energy generation and removing unnecessary barriers to technologies such as solar panels.

We should unlock innovation and investment, not tax New Zealanders into changing their behaviour.

International context

A small trading nation cannot ignore international climate policy. But New Zealand should not impose costs on Kiwi households and businesses that the countries we trade and compete with are unwilling to bear themselves.

The international approach to climate policy is becoming more pragmatic. The United States has withdrawn from the Paris Agreement. Canada has abolished its consumer carbon price. Europe is delaying some climate measures, introducing greater flexibility, protecting trade-exposed industries, and putting competitiveness and household costs back into the equation. At the same time, countries such as Canada retain ambitious targets that their own projections show existing policies are not on track to meet.

New Zealand's approach should reflect what our trading partners actually do, rather than imposing the costs required to meet targets that many of them are not currently on track to achieve themselves.

Our trading partners should also recognise the emissions efficiency of what New Zealand actually exports. If New Zealand food, steel, cement or aluminium is produced with fewer emissions than competing products made elsewhere, penalising those exports because New Zealand has chosen a different domestic emissions pathway would make little environmental sense. It would favour higher-emitting production simply because it comes from a country with a more politically fashionable climate regime.

Trade measures should focus on the actual embedded emissions of products, not whether New Zealand has copied another country's domestic climate policies.

New Zealand will remain a reliable trading partner and ACT will protect our access to overseas markets. We will play our part in reducing emissions, but we will not impose burdens on New Zealand households and businesses that our competitors are unwilling to bear themselves.

Unlock New Zealand's potential

We can only unlock New Zealand's potential if we stop loading unnecessary costs onto the people and businesses that create our prosperity.

Climate policy should not mean higher power bills, more expensive petrol, fewer jobs, or productive businesses being pushed overseas. New Zealand should play its part in reducing emissions, but we should do so at the lowest possible cost and without imposing burdens on ourselves that our major trading partners are unwilling to bear.

ACT's approach is to cut unnecessary costs, remove distorted incentives, protect Kiwi jobs and productive land, and let households and businesses get on with making the choices that work best for them.

ACT will scrap Net Zero and cut the Carbon Tax to unlock New Zealand's potential.