

Property Council New Zealand

Submission on the Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy): Construction and Buildings criteria

30 October 2026

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Submission on the Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy): Construction and Buildings criteria

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit on the Aotearoa New Zealand Sustainable Finance Taxonomy (“NZ Taxonomy”): Construction and Buildings criteria (“the draft criteria”).
- 1.2. Property Council supports the Taxonomy’s objective of directing investment towards activities that contribute to New Zealand’s climate and sustainability goals. However, the criteria as it currently stands needs to be more outcome-focused, with clearer, simpler and more practical requirements that are easier to understand and apply. The criteria should also reflect current market practices, capabilities and readiness to ensure they are practical and achievable for the sector.
- 1.3. Without these changes, the current technical and prescriptive approach will limit voluntary uptake across the sector and reduce the Taxonomy’s ability to achieve its intended objectives.
- 1.4. Please note that Property Council has not commented on all questions posed in the consultation material.

2. Recommendations

- 2.1. At a high level, Property Council recommends the draft criteria:
 - Provide clear guidance to explain how rating tools and existing certifications can be used to meet the Taxonomy’s requirements, including whether any additional information or assessments are needed;
 - Include a clear, ongoing process for updating the Taxonomy criteria, rather than waiting for a full review of the Taxonomy;
 - Set proportionate, size-based embodied-carbon requirements that reflect the New Zealand market, while recognising equivalent existing assessment tools and avoiding unnecessary duplication;
 - Defer the introduction of refrigerant GWP limits in the current Taxonomy, with a defined timeframe for review and implementation that considers market readiness, the availability and suitability of lower-impact alternatives, and potential commercial impacts;

- Adopt a New Zealand-led approach to setting energy intensity targets, using locally recognised tools and datasets to ensure the criteria reflect the performance of New Zealand buildings and the realities of the local market;
- Recognise New Zealand's low-carbon electricity grid and emissions advantage, while ensuring interoperability with international sustainable finance frameworks;
- Allow data centres to be considered for eligibility through a separate pathway that recognises their specific operational and infrastructure requirements while maintaining the framework's environmental objectives;
- Focus on identifying criteria that is connected to environmental outcomes consistent with other taxonomies, rather than setting broader building standards or defining what makes a building 'green';
- Adopt a Transition pathway for existing buildings that meet the required energy efficiency thresholds, regardless of their current energy source;
- Allow energy-efficient existing buildings that use gas to qualify under a Transition pathway, subject to a clear deadline of 2031 (or otherwise adopted by the Australian Taxonomy) for phasing out gas;
- Adopt a 5-star NABERSNZ rating as the initial threshold for office buildings, with an increase over time once supported by broader market uptake;
- Remove EV charging infrastructure as a mandatory requirement for new buildings;
- Prioritise a process-based approach to climate adaptation, rather than relying on a prescriptive Whitelist;
- Initially require disclosure based compliance to meet construction and demolition waste criteria to inform future diversion targets;
- Recognise established industry practices and existing approaches to construction and demolition waste management where they provide equivalent evidence of compliance.
- Allow recovered refrigerants to be reclaimed and reused where safe and environmentally preferable, subject to appropriate controls and a transition period aligned with the availability of market-ready, lower-impact alternatives;
- Initially introduce disclosure based compliance requirement for timber sourcing to understand current practices, assess the availability of evidence from suppliers, and identify any gaps before introducing mandatory compliance requirements;
- Include clear and consistent verification methods and evidence requirements be established and communicated before the Taxonomy is implemented, particularly where thresholds and proxy measures are still being developed;
- Take a proportionate approach to fossil fuel restrictions, recognising that building owners may not have control over all fossil fuel use occurring within a building; and

- Provide clear rules about when new or updated requirements apply.

3. Introduction to Property Council New Zealand

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive."
- 3.2. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3. Property is New Zealand's largest industry and fastest growing source of employment. There are nearly \$2.2 trillion in property assets nationwide, with property providing a direct contribution to GDP of \$50.2 billion (15 per cent) and employment for 235,030 New Zealanders every year.
- 3.4. Property Council is the collective voice of the property industry. We connect over 14,000 property professionals and represent the interests of over 610 organisations across the private, public and charitable sectors.
- 3.5. This document provides Property Council's feedback on the [Aotearoa New Zealand Sustainable Finance Taxonomy \(NZ Taxonomy\): Construction and Buildings criteria](#), with comments and recommendations on issues relevant to our members. Reflecting the diversity of our membership, Property Council members may wish to comment in greater detail on issues specific to their business. Accordingly, we support individual members providing separate submissions addressing those matters.

4. Inclusion of proxies for demonstrating alignment

- 4.1. Property Council strongly supports the use of established rating tools and certification frameworks as proxies to reduce duplication, recognise existing industry practices, and make the Taxonomy easier to apply.
- 4.2. However, clear guidance should explain how existing certifications can be used to meet the Taxonomy's requirements, including whether any additional information or assessments are needed.
- 4.3. Property Council also recommends establishing a formal, transparent and ongoing process for adding, amending or removing recognised proxies as rating tools evolve, and new frameworks emerge. This would provide greater certainty for users, keep the list of recognised proxies current, and avoid unnecessary delays or the need to wait for a wider Taxonomy review before changes can be made.

5. Draft Substantial Contribution criteria for climate change mitigation

Size-based applicability threshold for embodied carbon

- 5.1. Feedback is being sought on the appropriate gross floor area (GFA) threshold at which embodied-carbon requirements should apply to new buildings.
- 5.2. Property Council recommends that the requirements be proportionate to the administrative and financial costs of embodied-carbon assessment and reporting, while ensuring they capture meaningful emissions reductions.
- 5.3. A threshold of 5,000m², consistent with the Australian Taxonomy, could provide a practical starting point. However, the final threshold should be informed by New Zealand market data on the number and types of projects in different size bands and the proportion of embodied-carbon emissions they represent.
- 5.4. Property Council also recommends recognising existing assessment processes where projects already use recognised building rating tools, such as Green Star, to assess lifecycle impacts and demonstrate embodied-carbon reductions. Where these processes provide equivalent evidence to the Taxonomy's requirements, additional assessment and reporting should not be required.
- 5.5. A tiered approach that combines an appropriate size-based threshold with proportionate assessment and reporting requirements for different project sizes could be considered. Smaller buildings could be subject to simplified requirements, while larger projects could undertake more comprehensive assessments. This approach should recognise equivalent existing assessment processes, avoid unnecessary duplication and ensure the Taxonomy continues to identify projects delivering meaningful embodied-carbon reductions.

Approach to refrigerant GWPs

- 5.6. Feedback is being sought on whether the draft criteria should set GWP limits for all new refrigerant equipment installations or not set any refrigerant GWP limits for now.
- 5.7. Property Council supports reducing the climate impacts of refrigerants but considers more information is needed before setting specific limits or timeframes. Introducing limits too early could restrict participation in the taxonomy in general with equipment choices and increased costs being a prohibitive factor before suitable alternatives are widely available.
- 5.8. Work is also underway in Australia to consider refrigerant requirements and their wider implications. New Zealand should draw on this work, alongside local market evidence, to better understand market readiness, the availability of alternatives and potential commercial impacts before determining appropriate thresholds and timeframes.

- 5.9. Property Council recommends that setting thresholds should be deferred for now, with a defined timeframe for review and potential implementation that considers market readiness, the availability of suitable lower-impact alternatives and the need to reduce refrigerant emissions over time.

Approaches to setting energy intensity performance targets

- 5.10. The draft criteria uses energy intensity to measure building energy performance rather than emissions intensity. However, limited New Zealand data makes it difficult to set reliable targets across all building types. Feedback is sought on two approaches for setting these targets.
- 5.11. Property Council supports Option 1, leveraging existing models and frameworks from the New Zealand building sector.
- 5.12. A New Zealand-led approach should be used to set energy intensity targets, drawing on locally recognised tools and datasets to reflect the performance of New Zealand buildings and local market conditions. A clear process should be established to calibrate and regularly review targets, with scope to expand coverage across building types as reliable data becomes available.
- 5.13. While Australian data may provide a useful interim reference point, Property Council is concerned that adopting it as the principal benchmark without sufficient validation against New Zealand building performance data may not accurately reflect local conditions. Australia has more transparent data available across building types and performance metrics, but a direct comparison may not be appropriate given differences between the two markets.

Industrial buildings

- 5.14. The availability and maturity of rating tools and data also varies across building types. For industrial buildings, the consultation notes that benchmarks under the Green Star Performance rating system should be aligned with the Taxonomy as robust datasets become available. Feedback from our members highlights that industrial ratings are still relatively new and have limited uptake, making it premature to rely on them as a threshold for accessing green finance. In the interim, an established building performance rating tool could be considered, with a focus on base-building energy use rather than whole-building energy use, to avoid penalising buildings for energy consumed by industrial processes outside the building owner's control.

Energy intensity

- 5.15. In addition, our members are concerned that the focus on energy intensity alone may also diminish the competitive advantage of New Zealand building stock as a low-carbon investment opportunity for offshore capital in the Asia-Pacific region. New Zealand's

highly renewable electricity system means that strong operational emissions performance is not necessarily reflected by energy-intensity metrics alone.

- 5.16. Property Council therefore recommends that the draft criteria recognise the emissions advantage afforded by New Zealand's low-carbon electricity grid and ensure that the criteria give appropriate effect to the principle of interoperability with international sustainable-finance frameworks.

Minimum requirements for eligibility in relation to the construction or ownership of data centres

- 5.17. Feedback is being sought on the preferred approach to treatment of data centres under the Taxonomy. Property Council considers that data centres should not be excluded from the Taxonomy because of additional requirements that may not yet be achievable in New Zealand.
- 5.18. Additional criteria could be evidence-based, proportionate, and within the building owner's control, with grid capacity, water use and resilience requirements developed in coordination with relevant infrastructure providers. Where specific protections are needed for exceptionally large energy and water users, a separate pathway or consistent requirements across comparable activities could be considered, rather than applying additional requirements specifically to data centres.
- 5.19. More broadly, the Taxonomy should focus on identifying criteria that is connected to environmental outcomes consistent with other taxonomies, rather than setting broader building standards or defining what makes a building 'green'. Any additional requirements should be clearly linked to the Taxonomy's objectives and avoid duplicating or extending into matters better addressed through other regulatory and infrastructure planning processes.

Considering a Transition classification for Acquisition and Ownership (of existing buildings)

- 5.20. Feedback is being sought on whether existing buildings that do not yet meet the Green criteria should be eligible for a temporary Transition classification while they work towards meeting those criteria. It also asks what deadlines, commitments and reporting requirements would ensure buildings make genuine progress towards reducing emissions. This includes buildings that use legacy gas systems and may face practical barriers to immediate electrification, as well as buildings that do not yet meet the required energy intensity targets.
- 5.21. Property Council strongly supports a Transition pathway for existing buildings that meet the required energy efficiency thresholds, regardless of their current energy source. The Building Code also continues to permit natural gas connections. The Taxonomy should therefore avoid introducing a separate electrification requirement that goes beyond

existing regulatory and voluntary building standards without a clear and practical transition pathway.

- 5.22. Energy efficiency and the transition away from fossil fuels should be recognised as related but distinct considerations. Highly energy-efficient buildings should not be required to remove existing gas equipment solely to qualify for a Green classification, particularly where this could involve significant cost or unnecessary replacement of otherwise effective building systems. Instead, a Transition classification should recognise their existing energy performance while providing a credible pathway towards full electrification over time.
- 5.23. A Transition pathway would recognise the existing energy performance of these buildings while providing a clear and credible pathway towards full electrification. Eligibility should require a sunset date for phasing out gas, with Property Council proposing alignment with the Australian Taxonomy's timeframe of 2031. This would avoid penalising otherwise energy-efficient buildings for design decisions made under previous standards, while ensuring the Transition classification supports genuine emissions reductions within a defined timeframe.

Acquisition and Ownership of Existing Buildings – Energy Performance Threshold

- 5.24. The draft criteria proposes a 5.5-star NABERSNZ (National Australian Built Environment Rating System New Zealand) rating as a proxy for office buildings to demonstrate compliance with the Taxonomy's energy performance criteria. Property Council considers a 5-star threshold should be sufficient to demonstrate strong energy performance and support Taxonomy alignment. A 5.5-star threshold may be too restrictive, limiting the number of buildings able to qualify. We recommend testing a 5-star threshold, with an increase over time once supported by broader market uptake.
- 5.25. Property Council notes the voluntary nature of NABERSNZ in New Zealand means the sample size of office buildings is small and is generally skewed towards those landlords certifying higher performing buildings only.

Construction of new buildings – EV charging

- 5.26. The draft criteria proposes mandatory EV charging infrastructure as a requirement for buildings to qualify as a Green Activity under the Taxonomy.
- 5.27. Property Council recommends removing this requirement as this is a prescriptive technology requirement and not in line with outcomes-based criteria. The decision to provision for and install EV charging infrastructure should be driven by market demand and the needs of building owners and occupiers, rather than imposed as a blanket requirement through the Taxonomy.

6. Whitelist of climate change adaptation and resilience measures

- 6.1. Property Council recognises that the purpose of the Whitelist is to simplify the Taxonomy process and give investors' confidence that listed measures contribute to climate adaptation and resilience. However, a sector-specific Whitelist risks taking a one-size-fits-all approach, as the suitability and effectiveness of adaptation measures will depend on the building, its location and the specific climate risks it faces.
- 6.2. Property Council considers a process-based approach provides a more robust basis for demonstrating a substantial contribution to climate adaptation and resilience. Requiring climate risks to be assessed and proposed measures to be justified against those risks provides greater confidence that measures are appropriate and effective. This approach is also consistent with the direction taken by overseas taxonomies, which commonly focus on requiring businesses to assess climate risks and demonstrate how their responses address those risks, rather than prescriptively listing measures as suitable in all circumstances.
- 6.3. A prescriptive Whitelist also raises questions about responsibility for approving measures without requiring an assessment of their suitability in each context. If a whitelisted measure is applied inappropriately and results in a worse outcome, it is unclear how responsibility and potential liability for that outcome would be addressed.
- 6.4. For example, installation of an inadequately designed flood barrier could create a false sense of protection and encourage continued occupation during a flood event. If future flood levels exceed the barrier's design capacity, overtopping or failure could increase exposure and potentially result in greater property damage, injury or loss of life than would otherwise occur.
- 6.5. Property Council therefore recommends prioritising a process-based approach that requires climate risks to be assessed and proposed measures to be justified against those risks. This would provide greater confidence for building owners, banks and investors that adaptation decisions are appropriate to the specific risks being addressed. This approach could be further supported by Whole Life Carbon assessment and life-cycle costing, helping to connect decisions made during design and construction with a building's ongoing operation and reduce reliance on a prescriptive list of measures.

7. Activity-specific Do No Significant Harm (DNSH) criteria

Waste Diversion targets

- 7.1. The draft activity-specific DNSH criteria includes a requirement that at least 40 percent of construction and demolition waste by weight is diverted from landfill through reuse, recycling, or recovery processes.

- 7.2. Property Council recommends initially requiring disclosure based compliance to meet construction and demolition waste criteria to inform future diversion targets. This would help establish a clearer picture of current performance, regional differences and the availability of waste recovery infrastructure. A mandatory 40 percent diversion threshold could disadvantage projects in areas where suitable processing facilities or viable recovery pathways are not available. Any future minimum threshold should be supported by evidence across regions, with regional requirements reflecting actual infrastructure capacity and excluding materials for which no viable recovery pathway exists.
- 7.3. Property Council also recommends recognising established industry practices and existing approaches to construction and demolition waste management where they provide equivalent evidence of compliance. This would reduce duplication and support a practical approach to meeting the Taxonomy's requirements.

Recovery and disposal of refrigerants

- 7.4. Feedback is being sought on the proposed approach to refrigerant recovery and disposal. Property Council supports responsible refrigerant recovery and preventing harmful emissions but is concerned that requiring all recovered refrigerants to be destroyed could increase costs and demand for new, high-GWP (global warming potential) refrigerants.
- 7.5. Where safe and environmentally preferable, we recommend that recovered refrigerants should be allowed to be reclaimed and reused, subject to appropriate controls and a transition period aligned with the availability of market-ready, lower-impact alternatives.
- 7.6. Disposal requirements should be practical and supported by evidence, with implementation dates that reflect the availability of suitable lower-GWP alternatives across different equipment types.
- 7.7. Our members have informed us that the Kigali Amendment is effectively changing the behaviour of the real estate sector in New Zealand to prioritise and cycle out high impact refrigerants over time and is expected to accelerate from 2035. Imposing further restrictions could be doubling up on the market movement and regulation already in place to drive change.

Timber sourcing

- 7.8. The draft DNSH criteria require all timber used in new construction and in building-level adaptation and resilience activities for buildings over 5,000 m² to be sourced from sustainable forestry operations or be previously used.

- 7.9. Property Council recommends initially introducing a disclosure based compliance requirement for timber sourcing to understand current practices, assess the availability of evidence from suppliers, and identify any gaps before introducing mandatory compliance requirements.

8. General Comments

Governance and verification

- 8.1. The draft criteria places significant responsibility on independent verifiers, while several thresholds, evidence requirements and proxy measures remain unresolved.
- 8.2. Property Council recommends that clear and consistent verification methods and evidence requirements be established and communicated. This would help ensure applicants understand what they need to provide to demonstrate compliance, while reducing the risk of different verifiers applying the criteria inconsistently.

Construction of New Buildings

- 8.3. Our members have questioned the intended scope of the activity description for the construction of new buildings. The references to buildings being developed or constructed for sale make it unclear whether buildings intended for long-term ownership and operation are also covered. Clarification on the intended scope would help provide greater certainty about which activities are eligible under the Taxonomy.

Fossil fuel use

- 8.4. The draft criteria should take a proportionate approach to fossil fuel restrictions, recognising that building owners may not have control over all fossil fuel use occurring within a building.
- 8.5. In particular, the criteria should distinguish between fossil fuel use associated with building operations and that arising from tenant-controlled plant, equipment and industrial processes. This is particularly important for industrial buildings, where tenants may rely on fossil fuels for processes that cannot currently be practically electrified.
- 8.6. For example, a tenant may occupy an otherwise energy-efficient building with LED lighting and all-electric water heating and kitchen appliances, but still require a gas-powered food-grade roaster because a viable electric alternative is not available. Restricting this use could force the tenant to relocate and disadvantage the building owner when seeking sustainable finance, despite the process being outside their reasonable control.

Certainty and transition arrangements

- 8.7. Several criteria propose specific commencement or expiry dates, creating uncertainty for a property sector where projects can take years to progress from planning and financing through to construction and completion. The sector needs confidence that the requirements in place when key decisions are made will remain applicable throughout the project lifecycle.
- 8.8. Property Council recommends clearly defining which version of the Taxonomy applies and the relevant assessment date, with appropriate transition arrangements for projects already underway, including existing financing commitments, procurement contracts, consents and registered certification projects. Changes to criteria should not apply retrospectively once key project decisions have been made.

9. Conclusion

- 9.1. Property Council members invest, own, and develop property across New Zealand. Property Council thanks the Centre for Sustainable Finance for the opportunity to submit on the Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy): Construction and Buildings criteria.
- 9.2. Property Council supports the Taxonomy's aim of directing investment towards activities that contribute to New Zealand's climate and sustainability goals. To achieve this, the framework must be workable for the sector, with requirements that reflect local market conditions and recognise existing tools and practices.
- 9.3. A practical approach that avoids unnecessary duplication will help encourage wider voluntary uptake and ensure the Taxonomy can effectively support the transition to a more sustainable built environment.
- 9.4. For further enquiries, please do not hesitate to contact Sandamali Ambepitiya, Advocacy Manager via email: sandamali@propertynz.co.nz

Yours Sincerely,



Leonie Freeman
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Property Council New Zealand