



Submission: Financial Markets (Conduct of Institutions) Amendment (Duty to Provide Financial Services) Amendment Bill

4 July 2025

To the Finance and Expenditure Committee

Submitter details

This submission is from the Parliamentary Commissioner for the Environment, Simon Upton.

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I wish to appear before the Finance and Expenditure Committee to present my submission.

Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986. As an independent Officer of Parliament, the Commissioner has broad powers to investigate environmental concerns and is wholly independent of the government of the day. The current Parliamentary Commissioner for the Environment is Simon Upton.

Introduction

A general policy statement at the front of the explanatory note to the Financial Markets (Conduct of Institutions) Amendment (Duty to Provide Financial Services) Amendment Bill states that the bill:

“... is intended to prevent registered banks ‘debanking’ or withdrawing banking services from New Zealanders, body corporates or companies, whose political views or outlook may not align with the sensibilities of that institution. This includes the withdrawal or refusal to provide banking facilities and services from businesses on murky ‘environmental, social or governance’ moralising.”

¹ <https://www.legislation.govt.nz/bill/member/2025/0125/3.0/whole.html#d6632273e2>

It is unclear legally what would constitute murky moralising, or how this would be differentiated from the legitimate consideration of environmental factors material to a bank's long-term financial performance. Environmental risks are just that – risks, not moralising. Environmental risks entail valid reasons for lenders to decline to lend.

A divisive case in point has been the limitation of some banking services to some petrol stations, criticised by some members of Parliament. In my oral submission to the Finance and Expenditure Committee for the inquiry into banking competition, I noted that according to the Government's own projections, petrol sales peaked in 2023.² It would be insincere to chastise banks for withdrawing services from an industry that by the Government's own estimation is in decline due to the economics of electric vehicles and their insulation from oil price spikes.

The inability of banks to withdraw services or refuse to provide services forces them to neglect their fiduciary responsibilities by constraining their ability to remove services from industries presenting legitimate risks.

This submission focuses on climate change related risks and the legitimate need for these to be considered by our financial institutions. However, they are only illustrative of a much wider range of legitimate physical environmental risks (to water, air and biodiversity) that this bill purports to exclude from commercial considerations.

Previous work

I submitted previously on the Finance and Expenditure Committee's inquiry into banking competition³, and many of the points raised in that submission are relevant here:

1. Climate risks are numerous and diverse, ranging from acute physical risks to reputational risks associated with the transition to a greener economy.
2. Many of the climate and other environment-related information requirements banks impose are in line with international trends, market requirements and free trade agreements. As an export driven economy New Zealand cannot be indifferent to these factors.
3. Banks' sustainability targets generally align well with the Government's climate targets.
4. What private businesses do with information they collect is up to them.

Climate risks

The table below sets out some of the different risks associated with climate change.

Physical Risks	Transition Risks
Acute – event driven e.g. extreme weather	Policy and legal – regulatory change
Chronic – longer-term shifts in climate patterns	Technology - innovation
	Market – changing consumer tastes
	Reputation – threats to the brand

²<https://environment.govt.nz/publications/second-emissions-reduction-plan-technical-annex> - Detailed results for ERP2 projection scenarios (New Measures)

³ <https://pce.parliament.nz/publications/submission-to-banking-competition-inquiry/>



At the outset, I have no difficulty saying that I have some concerns about broad ESG declarations that try to be all things to all people and lack a delineation of the specific risks that different elements may pose. However, the complete disregard for environmental risks proposed by this Bill goes much too far in the opposite direction. I accept that some environmental transition risks, particularly those related to policy and reputation, wax and wane with the political tide. But even these risks cannot be ignored completely as they can threaten a company's social license as we saw, for example, with Cadbury and their use of palm oil.⁴

On the other hand, the technology and physical risks imposed by a changing climate, for example, are far more concrete. The widespread withdrawal of insurance from disaster-prone areas may decrease home values and increase mortgage defaults, potentially leading to a financial crisis driven not by sub-prime mortgage loans but by climate change-induced insurance retreat. Climate change is not cyclical. It can be expected that there will be an increase in the severity and frequency of acute events over time, with a corresponding increase in areas considered disaster-prone⁵.

This is just one example of how physical risks will alter the stability of our current financial system. It is emblematic of the compounding nature of acute and chronic climate risks. Acute natural disasters may induce a short-term increase in insurance payouts. However, over time, as the frequency and severity of these events increase, the provision of insurance may no longer be tenable in certain areas. Insurance (something banks require in the context of mortgage lending) is critical to a capitalist economy. Insurers do not ignore risks. Financiers can't either. I urge committee members to read the brief, attached piece by Gunther Thallinger from Allianz for further information.

Ignoring risks imposed by technological change or by a changing climate will lead to poor investment decisions and decrease the stability of our financial sector. The costs of borrowing may also increase if financial institutions are barred from considering environmental risks and limited in their investment options. Our ability to attract investors may also be impaired given the fact that the global institutions that are integrating environmental and other risks into their calculus, expect these risks to be managed.

Climate considerations are aligned with international trends, market requirements and free trade agreements

Climate change is a collective action problem, and reducing emissions by its very nature requires international collaboration – by both the public and private sector. Work by The Aotearoa Circle and Chapman Tripp recently found that 70% of New Zealand's exports by value go to economies with mandatory climate disclosures⁶. Whilst there has been some recent push back with the US Security and Exchange Commission moving to withdraw its climate disclosure

⁴ <https://www.nzherald.co.nz/business/companies/cadbury-fights-for-bigger-bite-of-chocolate-market/WNJTKTVX3GZXR4EA4UORZFQVV4/>

⁵ <https://www.ft.com/content/9e5df375-650d-492e-ba51-fb5a34e6ddd6>

⁶ <https://www.theaotearoacircle.nz/post/update-protecting-new-zealands-competitive-advantage>



rules, in other areas new climate disclosure rules are emerging⁷. In order to access these markets New Zealand businesses – and the banks that support them – will need to account for climate change.

The Government aims to double the value of exports within ten years. Achieving this goal depends on New Zealand meeting the requirements of its free trade agreements. As part of the New Zealand-European Union Free Trade Agreement, New Zealand has committed to effectively implementing the Paris Agreement, including its obligations under the country's nationally determined contribution.⁸ Similarly, by ratifying the New Zealand-United Kingdom Free Trade Agreement, New Zealand has confirmed its commitment to the Paris Agreement and recognised that reaching its goals will require joint efforts. The agreement also includes a commitment from both parties to take action to reduce greenhouse gas emissions from agriculture and support sustainable agricultural practices.⁹ As an export driven economy, New Zealand needs to ensure it meets its obligations under these agreements and keeps pace with international direction regarding climate-related disclosures and accounting practices. In the future, large financial institutions will have to account for the emissions embedded in the businesses they invest in¹⁰.

Banks' sustainability targets generally align well with the Government's climate targets

As mentioned in the introduction, actions taken by some banks to remove some services to petrol stations in New Zealand are supported by the Government's own projections in the second emissions reduction plan. Unlike assertions made during the Bill's first reading¹¹, the decline of petrol stations in New Zealand is not a consequence of debanking. The causality is the other way round: removal of services is a reflection of legitimate concerns regarding the longevity of this industry.

The inquiry into banking competition examined the participation of banks in the international Net-Zero Banking Alliance, which ultimately has the same 2050 goal as the New Zealand Government. Most banks' short-term emissions goals as part of the Net-Zero Banking Alliance align with the Government's targets. For instance, BNZ is seeking "an 11% reduction in financed biological emissions intensity (kgCO₂e/kgMS) by 2030 against a 2022 baseline."¹² Similarly, Westpac has set targets to reduce scope 1 emissions intensity from dairy by 10% and from

⁷ Including in California and New York. The Shanghai Stock Exchange has also recently expanded its voluntary ESG reporting framework. https://chapmantripp.com/media/g0opxs5e/2025_climate-sustainability-esg-top-5-for-2025.pdf

⁸ <https://www.mfat.govt.nz/assets/Trade-agreements/EU-NZ-FTA/Chapters/19.-Trade-and-Sustainable-Development.pdf> - see article 19.6.

⁹ <https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/NZ-UK-Free-Trade-Agreement.pdf>, see articles 22.6, 22.7 and 22.10.

¹⁰ <https://www.xrb.govt.nz/standards/climate-related-disclosures/aotearoa-new-zealand-climate-standards/aotearoa-new-zealand-climate-standard-2/>

¹¹ https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansD_20250521_20250521

¹² <https://www.bnz.co.nz/assets/bnz/about-us/PDFs/BNZ-NZBA-target-setting-disclosure-May-2023.pdf?0576114399e5590c1b0cfb7d9ed4dc63a5f3430f>



sheep and beef by 9% by 2030¹³. These compare well with the Government's target of 10% by 2030 and 24%–47% by 2050.

What private businesses do with information they collect is up to them

International investors are already factoring climate risks into their decision making. High-emission businesses face greater risks due to international requirements to cut emissions, as well as the impacts of acute climate-related events and long-term climate change. These risks are unavoidable and will affect businesses regardless of New Zealand government policy.

Banks as private businesses should be left to allocate capital according to the risks they themselves deem consequential. Their ability to manage risks is a key determinant of their long-term profitability. They should be left to do what they are good at without government interference.

It would be an unwarranted interference in the legitimate actions of financial institutions for Parliament to seek to regulate what banks can take into account in assessing commercial risk. Environmental risks are just that – risks, not moralising. Environmental risks entail valid reasons for lenders to decline to lend.

This Bill adds nothing of value and will likely impose additional administrative costs on banks. It should not proceed.

Rt Hon Simon Upton

Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

¹³https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/Climate_Change_Position_Statement_and_Action_Plan.pdf