

Treatment of Electricity in Environmental Declarations

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1. Purpose and scope

This Technical Clarification sets out how NZGBC will treat the electricity component of environmental declarations when those declarations are used to substantiate product environmental performance in NZGBC rating tools and databases. It applies to all forms of third-party environmental declaration, including but not limited to Environmental Product Declarations (EPDs) under ISO 14025 and EN 15804, Product Carbon Footprints (PCFs) under ISO 14067, and any equivalent product-level declarations submitted to support rating tool credits.

It addresses the specific question of how electricity consumed in New Zealand is to be modelled and disclosed, and the conditions under which contractual instruments (NZECS certificates, RECs, GOs, I-RECs, or PPAs with bundled environmental attributes) may be reflected in the figures NZGBC uses for rating tool calculations.

This clarification does not change the underlying programme rules of the International EPD System, EPD Australasia, the GHG Protocol Product Standard, ISO 14067, or any other framework. It governs only how NZGBC interprets and uses declared figures for the purposes of its own rating tools.

2. Background

Most current environmental declaration frameworks permit a market-based approach to electricity, in which contractual instruments may be claimed to reduce the GWP attributed to purchased electricity. NZGBC has identified specific conditions in the New Zealand electricity market that, taken together, undermine the assumption that such claims reflect a meaningful difference in environmental outcome:

- No regulatory framework governs the issuance, tracking, or claiming of certificates.
- There is no additionality requirement; certificates may be issued from existing generation.
- There is no temporal matching requirement, hourly or otherwise.
- No official residual mix factor, taking into account all REC providers, is published in New Zealand.
- New Zealand's grid is already more than 80% renewable and the renewable share is increasing, limiting the ability of certificate purchases to generate meaningful scarcity-based signals for additional renewable generation

The combined effect is that contractual instruments claimed against electricity consumed in New Zealand can produce a substantial reduction in the declared GWP figure without any corresponding change in physical electricity supply or induced renewable build.

NZGBC takes no view on the legitimacy of such claims under the rules of any declaration framework. NZGBC's concern is narrower: which figure best represents the embodied carbon associated with electricity consumed in New Zealand for the purposes of its rating tools. NZGBC's view is that, given the conditions described above, this is the location-based or residual mix figure.

3. Scope of application

This clarification applies to environmental declarations used to substantiate construction product performance in NZGBC rating tools, where electricity is consumed in New Zealand in any module of the product life cycle (typically A3 manufacturing, B-modules use stage, C-modules end-of-life, and module D for reuse, recovery and recycling).

It does not apply to electricity consumed outside New Zealand, regardless of where the declaration is issued or where the manufacturer is based. For such electricity, the declaration's figure is accepted as published. The rule is scoped by location of electricity consumption, not by declaration origin.

It does not apply to New Zealand manufacturers with on-site renewable electricity, or electricity from a directly connected generator via a dedicated transmission line, that is generated and consumed by the manufacturer with no certificates sold to third parties.

For multi-site manufacturers where an environmental declaration covers both New Zealand and non-New Zealand production, dual reporting applies to the entire declaration, not only the New Zealand allocated portion.

It does not affect the validity of any environmental declaration in its own right. This clarification does not affect the validity of an environmental declaration under its relevant programme. It governs only whether, and how, its results may be used in NZGBC rating tools.

4. Requirements

4.1 Reporting basis for New Zealand electricity

Where an environmental declaration covers electricity consumed in New Zealand in any life cycle module, the declaration must transparently report the impact of that electricity using either:

- A location-based or residual mix approach, with the figure clearly identified as such; or

- Dual reporting, presenting both a market-based result and a location-based or residual result, with both figures clearly identified.

The electricity modelling approach, the dataset used, and the resulting figures must be declared transparently. For EPDs this means, at a minimum, documenting the approach in the LCA information section and presenting results in the environmental performance section, with any supporting information in the additional environmental information section. For PCFs and other declaration types, equivalent transparency applies to the electricity modelling approach, dataset, and results.

Declarations that report only a market-based result reflecting contractual instrument claims for New Zealand electricity will not be accepted for embodied carbon and LCA assessments after the effective date in Section 5. All EPDs will, however, remain acceptable for the responsible sourcing credits, i.e. under the Responsible Products Framework.

4.2 Calculation basis

Where a compliant declaration provides a location-based or residual mix figure for New Zealand electricity, NZGBC will permit use of that figure as the basis for rating tool calculations. Where dual reporting is provided, the location-based or residual mix figure must be used.

4.3 Reference factor

Where a location or residual based factor for New Zealand electricity is required and is not available in the declaration, the conservative default emission factor for that product or material type must be used instead from the NZGBC Embodied Carbon Methodology.

5. Transition arrangements

Grandfathered declarations. Environmental declarations validly registered and published before 31 March 2027 will be accepted for rating tool calculations for the remainder of their stated period of validity, regardless of whether they meet the requirements of Section 4. NZGBC will accept the figures declared as published.

New and renewed declarations. Environmental declarations registered, renewed, updated, or otherwise reissued on or after 31 March 2027 must comply with Section 4 to be eligible for use in NZGBC rating tool calculations.

Renewals of grandfathered declarations. Where a grandfathered declaration reaches the end of its validity and is renewed on or after 31 March 2027, the renewed declaration must comply with Section 4.

The transition period is intended to allow manufacturers to align declaration updates with their natural renewal cycles, give LCA practitioners and programme operators time

to adopt dual or location-based reporting as standard practice, and allow NZGBC to engage with industry on implementation.

6. Review

This Technical Clarification will be reviewed by NZGBC no later than two years after its effective date, or earlier if any of the following occur:

- Publication of an official New Zealand residual mix by a government or other authoritative body;
- Material changes to the GHG Protocol Scope 2 Guidance, ISO 14067, EN 15804, PCR 2019:14, or other relevant frameworks affecting the treatment of contractual instruments;
- Regulatory changes to the New Zealand electricity certificate market introducing additionality, temporal matching, or other quality criteria.