



EU/NZ FTA: Seizing opportunities through compliance

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A new era for EU/NZ trade relations

New Zealand's free trade agreement with the European Union (EU) has entered into force. To realise the significant opportunities presented by this deal, New Zealand exporters of goods and services should familiarise themselves with all relevant EU laws and take steps to ensure their compliance. Some New Zealand exporters should also pay careful attention to a suite of new or incoming EU environmental, sustainability and human rights laws that may impact their competitive position on the EU market or create new commercial opportunities.

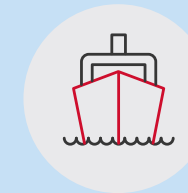
These EU laws include:



EU Carbon Border Adjustment Mechanism



EU Deforestation Regulation



EU Green Shipping Arrangements



EU Directive on Corporate Sustainability Reporting



EU Human Rights and Modern Slavery Due Diligence Requirements

This paper briefly recaps the key opportunities presented by the EU/NZ FTA and the importance of EU regulatory compliance generally. It then provides an overview of the EU laws itemized above and their potential implications for New Zealand exporters of goods and services, along with links to further information for impacted parties.

What Happened?

The EU/NZ FTA is expected to generate substantial benefits for New Zealand exporters of goods and services, including:

1. Increasing goods exports to the EU by up to \$1.8 billion annually by 2035.
2. Generating tariff savings of \$100 million annually from day one, the highest immediate tariff savings of any New Zealand FTA.
3. Delivering valuable new quota access for beef and dairy products.
4. Facilitating access and providing certainty for New Zealand services exporters, and particularly exporters of education, aviation, delivery, telecommunication, financial and maritime services.
5. Streamlining visa processes for intra-corporate transferees, independent professionals, business visitors and contractual service suppliers moving in both directions.
6. Standing the test of time, as the agreement includes future-proofing provisions to ensure ongoing benefits for New Zealand's exporters.

The importance of regulatory compliance

New Zealand exporters of goods and services who are interested in pursuing commercial opportunities generated by the EU/NZ FTA should familiarise themselves with relevant EU laws and take steps to ensure their compliance. Focused due diligence is needed because EU rules differ from New Zealand's legal regime in material respects and are often implemented and enforced differently at the EU Member State level.

At a high-level, all New Zealand goods exporters should consider EU consumer protection laws, product standards and product quality, safety, labelling, packaging and documentation rules. Adherence to EU customs regulations and import procedures will also be important, including tariff classifications, valuation, origin and customs clearance requirements. Sector specific EU regulations - such as those governing food and agricultural products, chemicals, pharmaceuticals and medical devices, electronics and radio equipment - will also be relevant to some exporters and may create a need for product reformulation, approval, registration, testing and certification, etc. Ensuring compliance with all applicable EU laws is essential to facilitate smooth trade and avoid costly road-blocks.

Many New Zealand goods and services exporters should also pay close attention to the EU laws and regulatory initiatives discussed below, which may significantly impact upon their EU market access strategy in the years to come.



EU Carbon Border Adjustment Mechanism

The [EU's Carbon Border Adjustment Mechanism](#) (CBAM) will impose a carbon levy on certain imported goods to prevent carbon leakage and ensure a level playing field for EU industries subject to stringent climate regulations.

It will initially target imports of cement, iron and steel, aluminium, fertilisers, electricity and hydrogen, by requiring EU importers to:



comply with data collection and reporting obligations from 1 October 2023



pay a levy on the direct and indirect emissions embedded in these products from 1 January 2026

While New Zealand's key export sectors are not initial targets of the EU's CBAM, they may be in time. An extension of the mechanism to include other carbon-intensive industries, like agriculture and forestry, would be concerning and could lead to competitive pressures. However, New Zealand's relatively low-carbon footprint in many sectors may offer a competitive advantage.

To mitigate potential negative effects, New Zealand exporters may want to continue investing in cleaner technologies and/or negotiate exemptions based on emissions performance. Collaborating with EU partners to align standards, innovate and ensure compliance could also be beneficial. Risks of trade disputes may arise if the CBAM is seen as discriminatory, potentially leading to challenges under World Trade Organization rules.

Overall, the implications for New Zealand exporters will hinge on the CBAM's design, interaction with other climate policies, and responses from both New Zealand and the EU.

Key points



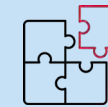
What is it and when does it start?

An incoming carbon emissions law targeting traders of carbon-intensive products. The mechanism **takes effect in 2026, with reporting starting in 2023**



Sectors affected:

Cement, iron and steel, aluminium, fertilisers, electricity and hydrogen



How to comply:

Collect data to produce quarterly reports (which will eventually determine any levy payable). Consider your product's embedded emissions and any carbon levies you pay, and invest in cleaner technologies or negotiate exemptions as appropriate



Further information:

MFAT [updates](#), NZTE [guidance](#), EU [guidance document](#) for producers located outside the EU, EU optional communication [template](#) for the exchange of information between importers and operators of installations



EU Deforestation Regulation

Key points



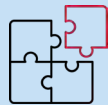
What is it and when does it start?

Regulation requiring exporters to the EU of products associated with deforestation to conduct due diligence and report on adherence to sustainability criteria. Regulation came into effect on 29 June 2023. Due diligence requirements apply from 30 December 2024 for large businesses and 29 June for small businesses



Sectors affected:

Cattle products (e.g. beef, veal and leather), wood products (e.g. timber, pulp and paper), cocoa, coffee, soya, palm oil and rubber



How to comply:

Gather data needed to submit a due-diligence statement and ensure that this information is well presented and independently verified



Further information:

MPI [guidance](#), EU [guidance](#)

The EU [Regulation on Deforestation-free products](#) aims to tackle deforestation and forest degradation associated with products placed on the EU market. It requires companies to conduct due diligence and fulfil reporting requirements aimed at ensuring EU imports of: cattle products (e.g. beef, veal and leather), wood products (e.g. timber, pulp and paper), cocoa, coffee, soya, palm oil and rubber are not linked to deforestation or conversion of natural ecosystems.

EU importers will need to demonstrate compliance with the Regulation's sustainability and traceability criteria or risk facing penalties.

For New Zealand goods and services exporters, the Regulation presents both challenges and opportunities.

While New Zealand's cattle and forestry sectors are generally well-regulated and sustainable, exporters to the EU will need to demonstrate compliance with the EU's stringent sustainability criteria to maintain access to the

single market. This could involve additional administrative burdens and costs, particularly for small and medium-sized enterprises. For forestry sector participants, compliance with New Zealand's incoming [legal harvest assurance scheme](#) for timber (which is due to commence in 2026), may ensure compliance with this EU Regulation.

This Regulation also underscores the importance of sustainable practices and certification schemes, providing opportunities for New Zealand exporters to differentiate their products in the EU market and potentially access premium markets. By aligning with the EU's sustainability requirements, New Zealand exporters can enhance their competitiveness and reputation for environmental stewardship in global markets.



EU Green Shipping Arrangements

The green shipping arrangements encompass various regulations and initiatives aimed at reducing greenhouse gas emissions and promoting sustainability in maritime transportation. They include: emission reduction targets, sulfur emission controls, alternative fuel promotion, investments in port infrastructure for alternative fuels and shore-side electricity supply, and financial incentives to support investments in cleaner technologies in the maritime sector. In addition, the EU has extended its Emissions Trading System to cover CO2 emissions from all large ships (of 5 000 gross tonnage and above) entering EU ports, regardless of the flag they fly. The EU is currently considering introducing carbon intensity standards for ships.

The EU's green shipping arrangements could also create opportunities for New Zealand exporters in sectors related to clean energy, alternative fuels, maritime technology, and sustainable transport solutions, as the EU seeks to transition to a low-carbon economy

These arrangements could impact New Zealand businesses in several ways, including:

1. Increased shipping costs for ship owners and subsequently increased freight rates for exporters transporting goods to the EU by sea.
2. Exporters may need to comply with additional sustainability requirements imposed by supply chain partners, including adopting sustainable transportation practices or providing documentation to demonstrate compliance with environmental regulations.
3. An increase in requests for New Zealand exporters to conduct due diligence on the environmental performance of their supply chain partners.

Overall, while the EU's green shipping arrangements may pose challenges for New Zealand exporters in terms of costs and compliance, they also present opportunities for collaboration and innovation in the transition to a more sustainable maritime transport sector. By adopting greener shipping practices, exporters can enhance their competitiveness and access markets that prioritise environmental sustainability.



Key points



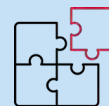
What is it and when does it start?

Various regulations and initiatives aimed at reducing greenhouse gas emissions and promoting sustainability in maritime transportation. Some of these arrangements are in effect already, others will be phased in over time.



Sectors affected:

Ship owners, maritime transport companies, exporters using sea freight, and companies providing clean energy, alternative fuel, maritime technology and sustainable transport solutions



How to comply:

Consider if you or your supply chain partners are impacted by the arrangements and identify how to manage impacts or seize opportunities, as appropriate



Further information:

MFAT [guidance](#), EU [guidance](#)

EU Directive on Corporate Sustainability Reporting

The EU [Corporate Sustainability Reporting Directive](#) requires large and listed companies operating in the EU to report on the environmental and social impacts of their companies in accordance with EU reporting standards. Some non-EU companies will also have to report if they generate over EUR 150 million on the EU market.

This Directive aims to enhance transparency, accountability, and comparability of sustainability-related information disclosed by companies to help investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies operating within the EU.

This Directive will have implications for New Zealand goods and services exporters that:

1. operate large or listed subsidiaries or branches within the EU
2. supply goods or services to EU-based companies subject to the reporting requirements

These exporters may elect to align their sustainability reporting practices with EU's standards to ensure compliance and/or satisfy EU customer requirements.

Exporters who align reporting practices may realise enhanced competitiveness on the EU market or secure access to new customers who prioritise sustainability

Overall, this Directive underscores the growing importance of sustainability considerations in global trade and may prompt New Zealand exporters to enhance their sustainability reporting practices to meet evolving market expectations and regulatory requirements.



Key points



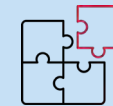
What is it and when does it start?

Directive mandating large and listed companies report on various ESG matters in their annual reports. Directive entered into force in January 2023, with the first set of European Sustainability Reporting Standards adopted in October 2023



Sectors affected:

All sectors, but primarily New Zealand exporters with large or listed EU subsidiaries or branches, and those generating more than EUR 150 million on the EU market



How to comply:

Consider whether your current environmental, social and governance data, reporting, and policies are robust and aligned with the relevant European Sustainability Reporting Standards



Further information:

MFAT [guidance](#); EU [guidance](#); European Sustainability Reporting [Standards](#)

Human Rights and Modern Slavery Due Diligence Requirements

Over the last few years, some EU Member States have introduced mandatory human rights and modern slavery due diligence and reporting obligations, which differ significantly across jurisdictions. Helpfully, the due diligence obligations will now be harmonised as the Corporate Sustainability Due Diligence Directive (CSDDD) has been adopted by the EU Parliament. The CSDDD will require in scope companies to undertake risk based human rights and environmental due diligence to identify and assess actual and potential adverse impacts and address those impacts in their own operations and chain of activity.

In addition to the CSDDD, in March 2024, the EU agreed to adopt the Forced Labour Regulation that will prohibit products made using forced labour from being sold in, or exported from, the EU. To achieve this, EU Member States will be required to assess the likelihood of forced labour violations. While the Regulation does not impose specific due diligence obligations, if a company has undertaken effective human rights and modern slavery due diligence, this is likely to be taken into account by

the Member State carrying out their assessment. Like the CSDDD, this Regulation will apply to both EU and non-EU companies.

For New Zealand goods and services exporters, these regimes could have direct implications in terms of compliance requirements and reputational risks. Exporters may need to demonstrate that their products are free from involvement in modern slavery, either through their own due diligence processes or by adhering to certification schemes recognised by the EU.

Failure to comply with the EU's modern slavery regulations could result in reputational damage, loss of market access, or legal penalties. Therefore, New Zealand exporters may need to enhance their monitoring and reporting mechanisms to ensure compliance with the EU's standards and expectations regarding human rights and labour rights in supply chains.



Key points



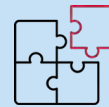
What is it and when does it start?

Directive obliging large companies with significant activities in the EU to conduct human rights and environmental due diligence on their own operations and across their chains of activity. Companies will need to comply from 2027 onwards



Sectors affected:

All sectors, but primarily New Zealand exporters with large or listed EU subsidiaries or branches, and those generating more than EUR 150 million on the EU market



How to comply:

Consider whether your current environmental, social and governance data, reporting, and policies are robust and aligned with the relevant European Sustainability Reporting Standards



Further information:

MFAT [guidance](#); EU [guidance](#); European Sustainability Reporting [Standards](#)

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MinterEllisonRuddWatts offers comprehensive legal and advisory services to New Zealand goods and services exporters to the EU, including assistance with regulatory compliance, market entry strategies, intellectual property protection, contract negotiation, dispute resolution, and mergers and acquisitions. With extensive experience and expertise in international trade and commercial law, we provide tailored solutions to help exporters navigate legal complexities, mitigate risks, and maximize opportunities in the EU market. The team collaborates closely with clients to understand their business objectives and provide strategic advice (sometimes in collaboration with EU counsel) to support their success in the competitive EU business environment.

Export New Zealand is the national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body and is a not-for-profit membership organisation. ExportNZ advocates for, inspires, connects, and celebrates New Zealand exporters. We aim to build a thriving ecosystem that supports each other.

We provide tailored assistance to help exporters navigate the complexities of EU markets, identify business opportunities, understand regulatory requirements, and connect with potential partners or customers. Additionally, Export New Zealand facilitates workshops and seminars to help exporters build their knowledge and capabilities, ultimately supporting their efforts to expand their presence and succeed in the EU market. We are exporters helping exporters.



