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New Zealand

RENEWABLE ENERGY

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This country-specific Q&A provides an overview of renewable energy laws and regulations applicable in New Zealand.

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NEW ZEALAND RENEWABLE ENERGY



1. Does your jurisdiction have an established renewable energy industry? What are the main types and sizes of current and planned renewable energy projects? What are the current production levels?

Yes, New Zealand has an established renewable energy industry. The proportion of total electricity generation sourced from renewable energy sources is higher in New Zealand than most OECD countries.

According to the Ministry of Business, Innovation and Employment (“**MBIE**”), New Zealand’s total generation capacity was 9.79 GW in 2022 and approximately 87% of the electricity generated over 2022 came from renewable sources. Of this, hydroelectric generation accounted for 60%, geothermal accounted for 18% and wind accounted for 6.5% (in approximate percentages). Natural gas and coal accounted for 9.9% and 2.9% respectively.

The high proportion of renewable energy generation in New Zealand is largely due to New Zealand’s existing hydro and geothermal generation fleet. Over the past few years, however, there has been an increasing level of development activity in solar and onshore wind, as well new geothermal generation. Solar is expected to form an increasing share of the total generation mix in New Zealand, with the first utility-scale solar project having come online in 2023. Certain developers are now exploring the possibility of offshore wind generation in New Zealand.

2. What are your country's net zero/carbon reduction targets? Are they law or an aspiration?

In 2019, New Zealand passed legislation introducing an emissions reduction target into domestic law, through an amendment of the Climate Change Response Act 2002 (“**CCRA**”). This target is a “split-gas” target, and requires that:

- emissions of greenhouse gases other than biogenic methane (being methane emitted in the agriculture and waste sectors) are “net zero” by 2050; and
- emissions of biogenic methane are, against 2017 levels, 10% lower by 2030 and 24-47% lower by 2050.

New Zealand has a high proportion of biogenic methane in its emissions profile when compared with other developed countries, as a result of its significant agricultural sector.

The above target is embedded in domestic legislation. The New Zealand Government is required to prepare emissions budgets with a view to meeting the 2050 target. The Government is also required to prepare emissions reduction plans setting out the policies and strategies for meeting emissions budgets. Emissions budgets must be met, as far as possible, through domestic emissions reductions and removals, although offshore mitigation may be used in limited circumstances. While the target and emissions budgets are not generally legally enforceable, a court may make a declaration that the targets have not been met and such a declaration must be brought to the attention of Parliament.

The National-ACT-NZ First Coalition Government took office in November 2023 (“**Coalition Government**”) and has announced that the biogenic methane target will be independently reviewed for consistency with the principle of “no additional warming” to reflect the scientific characteristics of biogenic methane as a short-lived pollutant. In parallel, the Climate Change Commission (New Zealand’s independent crown entity responsible for advising the government on climate change mitigation and adaptation) is in the process of reviewing the target as required by the CCRA. This involves considering both whether there has been a “significant change” in one or more factors justifying a change to the target, and whether the target should be amended to include emissions from international shipping and aviation. The Climate Change Commission is consulting on these issues and will provide advice to

the New Zealand Government by the end of 2024.

In addition to its domestic target, New Zealand submitted an updated Nationally Determined Contribution (“**NDC**”) under the Paris Agreement in 2021. This updated NDC includes a headline target to reduce net domestic emissions by 50% below New Zealand’s gross 2005 level by 2030.

3. Is there a legal definition of 'renewable energy' in your jurisdiction?

There is no definition of “renewable energy” that is of general application under New Zealand law.

“Renewable energy” is however defined in New Zealand’s primary consenting legislation (the Resource Management Act 1993 (“**RMA**")), as “energy produced from solar, wind, hydro, geothermal, biomass, tidal, wave, and ocean current sources”. Persons exercising functions under the RMA (for example, persons considering applications for resource consent) are required under the RMA to have particular regard to (among other things) the benefits to be derived from the use and development of renewable energy.

4. Who are the key political and regulatory influencers for renewables industry in your jurisdiction and who are the key private sector players that are driving the green renewable energy transition in your jurisdiction?

MBIE is the key government department that advises the New Zealand government on, and develops and implements policies relating to, energy in New Zealand (including renewable energy).

Under the previous Labour government (which was replaced by the Coalition Government on 27 November 2023), MBIE had commenced work on the development of the New Zealand Energy Strategy, which the previous government had committed to develop by 31 December 2024. The Energy Strategy was intended to outline the government’s strategy to 2050 for promoting a highly renewable, reliable and affordable energy system that supports economic growth and productivity. MBIE also consulted on a range of topics with respect to the energy transition, including a plan for the gas industry’s transition to low emissions, an interim hydrogen roadmap, regulations on offshore renewable energy development and market measures for transition to an expanded and more renewable electricity system.

It is yet to be seen what the Coalition Government will do with respect to the development of the Energy Strategy. The Government’s initial 100-Day Action Plan outlined that the Government would begin efforts to double renewable energy production and to issue a new National Policy Statement for Renewable Electricity Generation.

In addition to its work in developing energy policies, MBIE monitors the Electricity Authority and the Energy Efficiency and Conservation Authority. The Electricity Authority is responsible for regulating the New Zealand electricity market. Its main role is to administer and enforce key legislation such as the Electricity Industry Act 2010 (and its regulations) and the Electricity Industry Participation Code 2010 to ensure the effective operation of the electricity system and markets. The Energy Efficiency and Conservation Authority administers the Energy Efficiency and Conservation Act 2000 with the objectives of encouraging, promoting and supporting energy efficiency and the use of renewable energy sources.

The Ministry for the Environment is another important department in respect of the renewables industry. It provides advice to the New Zealand government on environmental matters and administers key legislation such as the RMA (which contains the consenting regime in respect of renewable energy projects in New Zealand). The Ministry for the Environment also monitors the Climate Change Commission.

Foreign direct investment into New Zealand is regulated by the Overseas Investment Office (“**OIO**”). To the extent that foreign investment is required for renewable energy projects, consent under the Overseas Investment Act 2005 (“**OIA**”) may be required.

The players driving the renewable energy transition in New Zealand are varied, however they include five main electricity generation companies, comprising Meridian Energy, Genesis Energy, Mercury, Contact Energy and Manawa Energy. Three of these companies (Meridian Energy, Genesis Energy and Mercury) are 51% majority-owned by the New Zealand government.

Certain other independent players have entered the market in recent years to develop renewable energy projects in New Zealand, particularly in solar. Certain developers are also exploring the possibility of offshore wind in New Zealand.

New Zealand’s transmission and distribution businesses play a critical role in providing the electricity system necessary for renewable energy generation in New Zealand. Significant capital expenditure is forecast as being required in their networks in the coming years to

meet increasing demand for electricity. Transpower operates and maintains the transmission infrastructure known as the National Grid, while 29 electricity lines companies operate the distribution networks across New Zealand.

5. What are the approaches businesses are taking to access renewable energy? Are some solutions easier to implement than others?

In New Zealand, anyone sourcing electricity (unless they source renewable power off-grid) will ultimately source a mix of renewable and non-renewable electricity from the grid. Certain electricity retailers nevertheless advertise themselves as purchasing or generating 100% of their electricity from renewable energy sources. Certification products (that match electricity supply with renewable energy generation sources) may be available to businesses that seek to access renewable energy.

Another approach that some businesses are taking to access renewable energy is entering into a corporate power purchase agreement (“PPA”) with a generator of renewable energy. Such renewable energy PPAs may be available from a single-project generator or a generator with a broader portfolio (including generators that own non-renewable energy projects but nevertheless offer renewable energy certificates linked to a specific renewable energy project). New Zealand’s corporate PPA market is relatively nascent, however activity is generally expected to increase as a broader range of developers seek offtake solutions for their renewable energy projects and as businesses become increasingly conscious of where they source their energy requirements.

There are various benefits that corporate buyers may achieve by entering into PPAs, including the ability to mitigate future electricity pricing risk and, typically, the ability to acquire renewable energy certificates, which may be utilised to report a reduction in their reported scope 2 carbon emissions.

Some businesses are also looking to utilise solar panels on buildings or excess land that they own to generate their own renewable energy.

6. Has the business approach noticeably changed in the last year in its engagement with renewable energy? If it has why is this (e.g. because of ESG, Paris Agreement, price spikes, political or regulatory

change)?

ESG considerations have become prevalent in boardrooms across New Zealand and are driving an increasing focus on the use of cleaner energy sources, including renewable energy. This is playing out in several ways, including an increasing number of corporates entering into PPAs. The Warehouse Group, Microsoft, New Zealand Steel, Amazon and Ryman Healthcare all signed corporate PPAs over the course of 2023.

Climate change and social licence considerations are core drivers of the ESG agenda. However, recent regulatory changes in New Zealand are also playing an important role. In particular, climate-related disclosure has become mandatory for large publicly-listed issuers and financial institutions for financial periods ending on or after 1 January 2023 (as to which, see question 7).

7. How visible and mature are discussions in business around reducing carbon emissions; and how much support is being given from a political and regulatory perspective to this area (including energy efficiency)?

New Zealand was one of the first jurisdictions globally to introduce mandatory climate-related disclosures. Under this regime, 170 of New Zealand’s listed issuers and financial institutions are required to report publicly on matters relating to their climate-related risks and opportunities for financial periods ending on or after 1 January 2023. The disclosure requirements are comprehensive and require an organisation to disclose (among other things) their greenhouse gas emissions, their targets for managing climate-related risks and opportunities and their transition plans.

The implementation of the climate-related disclosures regime has increased the maturity of discussions in business around reducing emissions. In addition, the disclosure requirements are leading to more visibility by market participants of the way in which organisations are considering and responding to climate change. However, many New Zealand businesses are continuing to mature in their approach to the management of climate-related risks and opportunities. The climate-related disclosures regime exempts organisations from reporting certain matters in the first year of reporting, including (among other things) disclosures on scope 3 emissions and transition plans. Business understanding of these areas is likely to continue to improve once these exemptions are no longer available.

In relation to political and regulatory support, New Zealand has a settled regulatory framework for climate change mitigation, embedded in the CCRA. This legislation sets domestic emissions reduction targets and requires the New Zealand government to put in place emissions budgets and emissions reduction plans. The independent Climate Change Commission also plays a critical role in advising the New Zealand government on the levels at which emissions budgets should be set and the policy direction needed in an emissions reduction plan to meet these budgets. The CCRA was passed with cross-party support and both major political parties have expressed their commitment to New Zealand's 2050 net zero target.

The specific policies that are in place to support emissions reductions in New Zealand tend to depend on the government of the day. For example, the previous Labour Government (which was in office until late 2023) had implemented government interventions to support New Zealand businesses to reduce emissions. These included, for example, the Government Investment in Decarbonising Industry Fund, which funded specific corporate emissions reduction initiatives using revenue gathered through New Zealand's emissions trading scheme. Other flagship policies included the Clean Car Discount, which provided a rebate for the registration of eligible new electric vehicles. The previous Labour Government had also commenced a review of the emissions trading scheme with a view to better incentivising gross emissions reductions across the economy.

The Coalition Government will likely take a different approach to incentivising emissions reductions compared to the previous Labour Government. In relation to the energy transition, the Coalition Government is aiming to accelerate the transition by streamlining consenting processes. To do this, the Coalition Government introduced the Fast-Track Approvals Bill to Parliament on 7 March 2024, which will subordinate the current consenting processes under the RMA. The Coalition Government has scrapped flagship policies of the previous Labour government, including the Clean Car Discount, the Government Investment in Decarbonising Industry Fund and the review of the emissions trading scheme.

In relation to energy efficiency, the previous Labour Government had consulted on proposals to make it mandatory for new and existing public, industrial and large-scale residential buildings to hold energy performance ratings. Its proposals also included requiring those intending to undertake certain building or demolition work to have a waste minimisation plan and changing the principles and purposes of the Building

Act 2004, to clarify that climate change is a key consideration. These changes have not to date been introduced and their status is unclear following the election of the Coalition Government in late 2023. In addition, most public sector agencies in New Zealand are subject to the Carbon Neutral Government Programme, which aims to reduce emissions by requiring all government agencies entering a new lease or renewing an existing lease to target a NABERSNZ rating above 5 stars and achieve a minimum of 4 stars. The ratings must also be publicly disclosed. NABERSNZ is New Zealand's adaptation of the National Australian Built Environmental Rating System, a six-star rating tool that measures the energy efficiency of commercial buildings once they are occupied and operating for a year or more. As the New Zealand government is a significant property owner and tenant in New Zealand, these requirements are driving market improvements in energy efficiency in buildings.

8. How are rights to explore/set up or transfer renewable energy projects, such as solar or wind farms, granted? How do these differ based on the source of energy, i.e. solar, wind (on and offshore), nuclear, carbon capture, hydrogen, CHP, hydropower, geothermal and biomass?

Broadly, the right to develop an onshore renewable energy project (such as a solar or onshore wind project) in New Zealand must be secured privately through the acquisition of relevant rights to the land on which the proposed project is to be situated. The key initial step for a developer is typically to secure an option to enter into (or acquire) the relevant land rights that will ultimately support the construction and operation of the project over its expected life (eg a lease or, depending on the project, easement rights). A license to enter into the land and conduct feasibility studies prior to the exercise of such option is usually sought. Such rights are privately negotiated between the developer and the landowner (if the land is not already owned by the developer).

In addition to securing land rights, unless the project is "behind the meter", a developer will need to obtain the right to connect the project to a relevant distribution network or to New Zealand's National Grid. For onshore grid connection enquiries of up to 500 MW, developers must join Transpower's queuing system for grid connections. This requires (among other things) that applicants show evidence of project readiness (to demonstrate they have undertaken adequate due diligence and project development activity prior to the grid connection investigation phase) and pay an

application fee.

For onshore renewable energy projects, a land use consent is also required from the relevant consenting authority under the RMA (as to which, see Question 10). Such consent attaches to the relevant land and may be enjoyed by the owners and occupiers of the land (except if the resource consent provides otherwise).

In terms of the development of offshore renewable energy (including offshore wind) in New Zealand, MBIE has confirmed that legislation enabling the permit regime for offshore renewable energy in New Zealand will be introduced into Parliament by December 2024. The legislation could then be in force by mid-2025, with the first round of permits open in late 2025. MBIE's indicative timeline suggests that the first feasibility permits could be granted in early to mid-2026. The regime is expected to involve the grant of feasibility permits providing for the right to undertake feasibility studies over a specified area of seabed, together with the right to apply for a subsequent commercial permit to construct and operate the project. Such feasibility permits are currently expected to be subject to a competitive merit-based process. The permitting regime is expected to operate separately from the environmental consenting regime.

9. Is the government directly involved with the renewables industry? Is there a government-owned renewables company or are there plans for one?

The New Zealand government does not take a significant direct role in the renewable energy industry and instead focuses on ensuring that New Zealand's market and regulatory settings encourage private sector investment in the industry. The New Zealand government is nevertheless the majority shareholder in Meridian Energy, Genesis Energy and Mercury, being three major generators of renewable electricity in New Zealand, and is also the owner of Transpower New Zealand, the owner of the National Grid.

Further, the New Zealand government owns New Zealand Green Investment Finance ("NZGIF") and is the funder of Ara Ake:

- NZGIF is a green investment bank, established in 2019 to invest with the purpose of accelerating and facilitating investment in emissions reductions in New Zealand. NZGIF makes its own investment decisions and invests on a commercial basis to reduce emissions, whilst seeking to crowd-in private

capital and demonstrate the benefits of low carbon investment to the market. As of May 2024, NZGIF has \$700 million of committed capital.

- Ara Ake was launched in 2020 to help energy innovators in New Zealand develop and commercialise. It is owned by key stakeholders in the energy sector and is funded by the New Zealand government.

Other renewable energy initiatives are also supported by government from time to time. For example, the previous Labour government had established the Community Renewable Energy Fund to support community-based renewable projects and the Māori and Public Housing Renewable Energy Fund to trial small-scale renewable energy technologies on Māori and public housing.

In addition to the above, the government is involved with the renewables industry through the government agencies and regulatory bodies referred to in question 4.

10. What are the government's plans and strategies in terms of the renewables industry? Please also provide a brief overview of key legislation and regulation in the renewable energy sector, including any anticipated legislative proposals?

In its initial 100-Day Plan, the Coalition Government committed to begin efforts to double New Zealand's renewable energy production. A core part of the government's strategy to achieve that goal is to "cut red tape" and to reduce consenting timelines.

The key legislation regulating the development of new renewable energy projects in New Zealand is the RMA, which contains the consenting regime for projects. Sitting below the RMA is a National Policy Statement on Renewable Electricity Generation 2011, which seeks a consistent approach to planning for renewable electricity generation in New Zealand. While this requires councils to recognise the national significance of renewable electricity generation, in practice, it has not provided significant assistance to renewable electricity generation projects.

The Coalition Government introduced the Fast-track Approvals Bill to Parliament on 7 March 2024, which aims to streamline / fast-track resource consenting processes to facilitate the delivery of major infrastructure projects (likely including renewable energy projects). The Bill would enable the Ministers of Infrastructure, Energy & Resources, and Transport to

approve projects deemed to have regionally or nationally significant benefits after consideration by an expert panel.

In addition, the National Party and New Zealand First (which form part of the Coalition Government) expressed their commitment in their coalition agreement to examine transmission and connection pricing to facilitate the cost-effective connection of new onshore and offshore renewable generation resources. Further, the National Party, in its Electrify New Zealand policy, outlined its plan that decisions on resource consents be issued within one year, that consents last for 35 years, and that a new National Policy Statement for Renewable Electricity Generation be issued within a year of the National Party taking office (i.e. by November 2024). We expect further details on renewable energy to come from the Coalition Government.

Please also refer to the answer to question 2 for the key legislation in respect to the emissions reduction target in New Zealand and the New Zealand government's initiatives in that space.

11. Are there any government incentive schemes promoting renewable energy (direct or indirect)? For example, are there any special tax deductions or subsidies offered? Equally, are there any disincentives?

There are no direct government incentive schemes promoting renewable energy in New Zealand, such as special tax deductions, subsidies, contracts for difference or feed-in tariffs. Certain small-scale and community-based renewable energy projects have however benefited from grants made available under funds that were established by MBIE under the previous Labour Government.

There are no government schemes that are designed to disincentivise investment in renewable energy. Whilst the government does not provide subsidies or other financial incentives for renewable energy projects, the government is supportive of renewable energy development in the private sector and aims to ensure that the regulatory framework (for example, the consenting regime) facilitates investment.

The New Zealand Emissions Trading Scheme (“**NZ ETS**”) is New Zealand's main regulatory tool designed to incentivise the transition towards cleaner energy use by New Zealand businesses. The NZ ETS does this by assigning a price to emissions and charging those prices to certain sectors of the economy for the annual

greenhouse gases they emit. Accordingly, affected businesses are incentivised to electrify their energy use or to otherwise transition to cleaner energy sources. Noting that New Zealand's electricity generation mix is already highly renewable relative to other countries, electrification and the resulting expected future increase in demand for electricity in New Zealand is a primary driver of the business case for renewable energy development in New Zealand.

12. Has your Government had to continue to help with the basic cost of energy over the last year and has that led to any discussion about de-linking the gas price and renewables prices?

The Government introduced a Winter Energy Payments scheme in 2017, which provides an extra payment to eligible individuals (predominantly being those receiving a pension or a benefit) to assist with the cost of heating domestic homes over the winter months. Work and Income (part of the Ministry of Social Development) is also able to help certain individuals with urgent power, gas, or heating costs if there is no other way to pay the bill.

Regarding the linkage between gas (and coal) prices and renewable energy prices, there has been some commentary calling for a change to New Zealand's marginal pricing approach to wholesale electricity prices, however this has not gained significant traction.

Spot prices in the New Zealand wholesale electricity market are nodal and are determined in auctions run at 30-minute intervals for each pricing node. The clearing market price is received by all generators that dispatch generation, notwithstanding that a dispatching generator may have submitted a bid which indicated a willingness to generate at a lower price. Accordingly, the price received by those generators with lower marginal costs (which may include renewable energy generators) will often be linked to the price submitted by those with higher marginal costs (which may include gas or coal-fired generators). Whilst there has been some challenge to the marginal pricing approach (e.g. arguments for separate spot markets for different technologies), the Electricity Authority considers that marginal pricing is a sound and efficient basis for spot pricing in New Zealand, including through the energy transition (as outlined in their May 2023 decision paper entitled “Promoting competition in the wholesale electricity market in the transition toward a renewables-based electricity system”).

13. If there was one emerging example of how businesses are engaging in renewable energy, what would that be? For example, purchasing green power from a supplier, direct corporate PPAs or use of assets like roofs to generate solar or wind?

Direct corporate PPAs are increasingly being entered into by businesses seeking to reference their power requirements to renewable energy. These agreements are relatively flexible and can take the form of virtual PPAs (structured as contracts-for-difference) or physical PPAs (including behind-the-meter agreements). PPAs with a “sleeved” component are also becoming more relevant, as they can enable a corporate buyer to benefit from the pricing and green attributes of a renewable energy project through the involvement of their electricity retailer (being the typical intermediary for a sleeving arrangement), whilst also enabling the corporate to contract for its firming volume requirements (or to otherwise address volume risks that would typically exist under a direct corporate PPA).

New Zealand businesses are also increasingly looking to utilise roof space for systems that generate solar power. By way of example, Auckland Airport announced plans to build what was expected to be New Zealand’s largest rooftop solar system (at 2.3 MW) on its new premium outlet centre Mānawa Bay, and is also constructing a new transport hub which will utilise a rooftop solar array of 1.2 MW.

14. What are the significant barriers that impede both the renewables industry and businesses' access to renewable energy? For example, permitting, grid delays, credit worthiness of counterparties, restrictions on foreign investment.

A key potential barrier for independent developers in New Zealand is the securing of the offtake arrangements required to raise project financing debt and/or to satisfy the risk/return profile of their equity investor(s). Spot prices are nodal and can be volatile. There is also material focus amongst developers and electricity price forecasters on the impact that a future potential closure of the Tiwai Point aluminium smelter could have on electricity prices in New Zealand (on the basis that the smelter is by far the largest electricity user in New Zealand, making up approximately 12% of national electricity consumption in 2023). Accordingly, many developers desire to secure long-term PPAs to hedge their power price exposures.

The creditworthiness of offtakers and other key project participants (e.g. construction contractors) is another important factor for developers to consider, particularly where project debt financing will be required.

Grid connection delays may become increasingly relevant in New Zealand. Significant investment is required in New Zealand’s transmission and distribution networks to support the expected increasing demand for electricity. In addition, new generation connections are themselves significant projects and Transpower (the operator of New Zealand’s National Grid) has implemented a queuing system as a result of the significant interest in new connections for renewable energy projects.

The securing of a resource consent under the RMA is a key milestone for a developer and in recent years there have been discussions regarding the need to streamline the consenting process. On 7 March 2024, New Zealand government introduced the Fast-track Approvals Bill to Parliament, which provides for a fast-track consenting regime that would simplify processes for approving major infrastructure processes (likely including renewable energy projects). The Bill would enable the Ministers of Energy & Resources and Transport to approve projects deemed regionally and nationally significant after consideration by an expert panel.

Another relevant factor for investors is that the OIA requires (broadly) that an “overseas person” obtain consent from OIO before giving effect to an investment where the overseas person acquires ownership or control (either directly or indirectly) of:

- “sensitive land” (which includes any residential land, farm land and certain forestry rights);
- “significant business assets”; or
- fishing quotas.

In the case of renewable energy, projects often involve use of “sensitive land” and/or large projects could attract investment that meets the “significant business assets” financial threshold. For any proposed project, legal advice should be taken as to whether the requirement for consent will be triggered and, if so, when consent must be obtained.

15. What are the key contracts you typically expect to see in a new-build renewable energy project?

The key contracts you would typically expect to see in a new-build renewable energy project in New Zealand include:

- land rights agreements, e.g. options for a lease and/or easements (or, if the project has already reached the start of construction, the lease and/or easements themselves);
- connection agreements (which, in the case of a grid-connected asset, would typically include a Transpower works agreement as the relevant connection works agreement);
- EPC contract or other construction agreements (including a turbine supply agreement in the case of a wind project);
- other equipment supply agreements (for example, a photovoltaic panel supply agreement), if not wrapped into the relevant construction agreement(s);
- operation and maintenance agreement;
- management services agreement, if required in respect of the management of the project vehicle;
- project financing agreements with lenders who finance the project;
- agreement(s) providing for the funding requirements from the equity investors; and
- power purchase agreement(s) with offtaker(s).

16. Are there any restrictions on the export of renewable energy, local content obligations or domestic supply obligations?

There are no specific restrictions relating to local content obligations or domestic supply obligations in New Zealand. However, if any of the conditions of an OIO consent for the investment (in the event consent is required under the OIA) requires the creation of new jobs in New Zealand, that condition would need to be complied with.

As regards the export of renewable energy, New Zealand does not have an interconnector with another country and, therefore, exports would need to comprise a stored form renewable energy, eg green hydrogen. The export of green hydrogen is not restricted in New Zealand.

17. Has deployment of renewables been impacted in the last year by any non-country specific factors: For example, financing costs, supply chain or taxes or subsidies (like the US's Inflation Reduction Act)?

New Zealand developers typically source key project components from overseas and developers are, therefore, exposed to many of the same cost pressures faced by developers in other countries. Inflation and

supply chain issues in recent years have had an impact on construction costs.

Many other countries in the Asia-Pacific region are supporting a significant build out of renewable energy projects, which is relevant to New Zealand developers in terms of their supply chain and the availability of project components. We understand that transformers in particular have a long lead time for import into New Zealand.

18. Could you provide a brief overview of the major projects that are currently happening in your jurisdiction?

There are a number of large consented renewable energy and battery energy storage system projects that are under development or construction in New Zealand. At the larger end of the scale, Nova Energy (part of the Todd Corporation) secured a resource consent in 2022 for its proposed 400 MW Rangitāiki Solar Farm in Taupō, which would have the capacity to power around 100,000 homes.

Meridian Energy is developing the Southern Green Hydrogen Project, a proposed large-scale hydrogen and ammonia facility in Southland, alongside its partners Woodside Energy, Mitsui & Co Ltd and Ngāi Tahu.

Transpower has announced its Net-Zero Grid Pathways programme, a multi-year capex programme set to enhance the capacity of the grid and the High Voltage Direct Current link between the North Island and South Island. These investments are intended to help facilitate new renewable generation projects and meet future electricity demands.

19. How confident are you that your jurisdiction can become a leader in newer areas like offshore wind or hydrogen?

New Zealand has one of the best wind resources in the world and there are a number of developers exploring the potential for offshore wind in New Zealand.

The New Zealand Government is currently developing a regulatory regime for proposed feasibility permits that would provide developers with the right to undertake feasibility studies and subsequently to apply for commercial permits to construct and operate offshore wind (and other offshore renewable energy) projects in New Zealand.

As a new potential industry there are some challenges to the development of offshore wind projects in New

Zealand, including the need to secure the necessary supply chains, port infrastructure and transmission investments required to support such projects. In addition, it is not clear whether the Government would make contracts for difference or other power price hedging available to projects in New Zealand and, therefore, the offtake arrangements that developers are able to secure will be critical to their ability to raise the significant capital required to construct such projects. Nonetheless, both the previous Labour Government and the current Coalition Government are supporters of the development of an offshore wind industry in New Zealand, including in the Taranaki region, in which New Zealand's offshore oil and gas sector had previously been a significant focus.

New Zealand also appears well placed for green hydrogen projects given the availability of renewable energy resources in New Zealand. One hydrogen project currently being explored is the Southern Green Hydrogen project, a proposed large-scale hydrogen and ammonia export facility in Southland (led by Meridian Energy alongside its partners Woodside Energy, Mitsui &

Co Ltd and Ngāi Tahu).

20. How are renewables projects commonly financed in your jurisdiction?

Renewables projects in New Zealand are financed through equity, debt or a combination of both. Historically, many renewable energy projects have been undertaken by the large generator companies in New Zealand and financed on their balance sheets. Project debt financing is however becoming increasingly common, mainly as a result of certain independent developers having entered the market (whether alone or in joint ventures with existing generators).

Many developers seek to secure a PPA before the start of construction, in order to facilitate project debt financing and/or to satisfy the risk/return profile of their equity investor(s). Some developers are however seeking to take forward projects on a merchant basis (including with a certain level of gearing being raised) and may have a strategy to secure one or more PPAs closer to the start of operations.

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