Energy Sector in New Zealand
Reviewing 2024 and Looking to 2025

Introduction

New Zealand's energy sector experienced the first year of the new coalition Government's policy workplan in 2024. The Government's legislative focus is to enable regulatory settings for industry development and investment, rather than the Government making direct investment into the sector. We expect 2025 to see the sector making the most of the new frameworks, including the continued push to attract foreign investment to support the transition to a more renewable energy system, ultimately supported by large commercial and utility offtakers.

Recently, in a government portfolio reshuffle, the Honourable Simon Watts has been appointed the Minister for Energy, effective 24 January 2025.[1] The shuffle is not expected to bring about a change of direction, however, there could be synergies between Simon Watts' energy appointment and his existing role as Minister for Climate Change.

Notably, the Honourable Shane Jones has retained his position as Minister for Resources and Associate Minister for Energy, and as discussed later in this article, will likely continue with his policy priorities for mining, and oil and gas.

Legislative pipeline

New legislation, consultation papers and policy announcements were the focus in 2024, which we expect will reveal their real impact in the energy sector over 2025. Of particular note was the resource management reform including the Fast-track Approvals Act 2024 ("**FTAA**") and the proposed amendments to the Overseas Investment Act 2005 ("**OIA**").

Resource management reform

The Government took steps to overhaul New Zealand's resource management system, including to support the energy sector. This included:

- passing the FTAA in December 2024, which is intended to support the consenting of a wide variety of energy projects (see our Energy Blog article on the (then) Bill here);
- introducing two bills to make targeted amendments to the Resource Management Act 1991 ("**RMA**") including the Resource Management (Consenting and Other System Changes) Amendment Bill which includes a shorter consenting period (of one year) for specified energy activities; and
- announcing that amendments will be made to national direction over the course of 2025, with a particular focus on energy, including to reduce consenting costs and increase certainty around infrastructure upgrades.

Overseas Investment Act reform

Associate Finance Minister, the Honourable David Seymour is leading the reforms of the OIA as part of the Government's economic strategy. The proposed reform will see a shift in the regime to a more permissive and risk-based approach. This means applications will be viewed from the perspective that an investment can proceed unless there is an identified risk to New Zealand.[2] For investments currently subject to the benefit to New Zealand test, we anticipate that a simplification of the OIA will ease the burden on foreign investors who are currently required to prove that their investment will benefit New Zealand.

In Seymour's view, the complexity and intensity of New Zealand's existing OIA framework ultimately discourages some overseas investors from considering New Zealand opportunities, and the significant costs of the consent application, uncertain outcomes, and delays in consents being granted, disadvantages New Zealand in the international market for investment.

The OIA reform is proposed to:

- retain the current scope of the assets that are screened (including farmland), to ensure the Government has the legal option to screen all investments currently subject to the regime;
- fast-track the assessment process by starting with the assumption that investment can proceed unless there are risk factors identified, and consolidating the OIO's core tests (investor test, benefit test and national interest test); and
- provide the Government with additional flexibility to call-in investments for detailed scrutiny on a case-by-case basis and to impose conditions or block the investment where there are risks to New Zealand's national interest.

The Government aims to pass the OIA legislative amendments by the end of 2025, with final policy decisions from Cabinet being sought in the first quarter of 2025.[3] Cabinet approval and Select Committee processes are currently estimated for mid-2025 where there will be an opportunity for public submissions.

Attracting greater overseas investment continues to play a crucial part in building New Zealand's energy generation and resilience. The proposed OIA reform, in combination with the FTAA, is expected to make investing in New Zealand energy quicker and easier.

Cross Sector

Energy price fluctuation

Between July and early August 2024, New Zealand's wholesale energy prices briefly surged from around $300/MWh to above $800/MWh.[4] Several factors contributed to these escalating prices, including:[5]

- hydro lake levels declining to a six-year winter low in early August 2024;
- a period of reduced wind generation at the same time; and
- most significantly, a decline in the supply of gas available, increasing the cost to generate supplementary electricity from thermal generation fuelled by natural gas, coal or diesel.

However, these effects were relatively short-lived and quickly dropped back to prices well below $100MWh.

See the below graph from the Electricity Authority's EMI website:

New Zealand Wholesale Price Trends

Source: Electricity Authority

Many in the sector would argue that this is the wholesale market operating effectively and as intended.

However, much public and political commentary focused on the impact on those parts of the productive sector who hadn't hedged against these risks and chose to be exposed to spot electricity prices.

Measures taken during this period to reduce electricity consumption to ensure availability of supply (such as the New Zealand Aluminium Smelter cutting energy consumption by about 30%) are a prudent reminder that in the short term, flexibility in energy consumption (known as demand-side flexibility ("**DSF**")) can ease the strain on our energy supply. For residential consumption, DSF could include incentivising or requiring the charging of EVs, or the heating of hot water, during off peak hours. The Electricity Authority undertook a survey in 2024 to assess DSF and estimates that about 450MW of demand flexibility could be available now (if the technology allowed, and consumers adopted).[6]

The Electricity Authority and the Commerce Commission jointly established the Energy Competition Task Force ("**Task Force**") in response to the period of high prices in August 2024. The Task Force aims to enable new generators and independent retailers to enter and compete in the market and provide additional options for electricity users. As one of eight future initiatives, the Task Force is currently consulting on the role and future direction of Power Purchase Agreements ("**PPA**") (with submissions closing 28 February 2025).[7] We expect to see further developments from this Task Force in 2025, including in relation to the outcome of the PPA consultation, which will be relevant to all areas of the sector.

Looking ahead to 2025, several Government measures are already in the pipeline:

- **Energy Sector review:** The Government has announced a comprehensive review of the energy sector to ensure the electricity market is fit for purpose (the terms of reference are available here). Independent experts were appointed on 11 February 2025.[8]
- **LNG import:** Marking a shift in the status quo where New Zealand does not import any Liquefied Natural Gas ("**LNG**"), the Government has committed to removing regulatory barriers to the construction of critically needed facilities to import LNG, and has in principle agreed to pass a law enabling such an import terminal.[9]

Transmission infrastructure and investment

The electrification of New Zealand's economy paired with anticipated population growth is expected to increase New Zealand's electricity consumption. Upgrading transmission and distribution networks will be vital to meeting this demand, and for the resilience of New Zealand's transmission infrastructure, which is also increasingly being challenged by adverse weather events.[10]

The Government has acknowledged the need to upgrade transmission infrastructure in the long-term – with an estimated $100 billion of investment needed by 2050 to improve New Zealand's national transmission and local distribution infrastructure.[11] Alongside resource management reform, the Government has indicated that it will update the Commerce Commission and Electricity Authority's regulatory settings to facilitate the transmission upgrades.

Transpower, as the grid operator, is gearing up to play a key part in the energy transition. In February 2024, the Commerce Commission approved Transpower's $392.9 million investment as part of its Net Zero Grid Pathways programme of work supporting decarbonisation and electrification. Transpower is also aware of opportunities on the horizon – signalling in its annual report that integrating offshore wind generation within the current grid capacity would not require major grid investment.[12]

Lines companies also have a crucial role to play in New Zealand's energy transition and in reducing the impact of rising electricity prices on consumers. The Commerce Commission has encouraged lines companies to innovate to reduce the impact of the rising electricity costs consumers are facing. The Electricity Authority released a consultation paper in 2024 proposing rule changes around distribution connection pricing reform.[13] The proposed rules consider how to achieve efficient pricing methodologies for connections that do not deter development opportunities, push up costs that are passed onto consumers, or result in others on the network subsidising the true costs of new connections. The consultation may result in an Electricity Industry Participation Code 2010 amendment in 2025.

Additionally, the Government has indicated that it is committed to allowing lines companies to own certain generation assets.[14] This could result in a reversal of the current prohibitions on lines companies owning generation assets which connect to their networks which exceed 50MW, and grid-connected generation assets which exceed 250MW.

Sector by Sector

Offshore renewable energy

In December 2024, the Government introduced the long-awaited Offshore Renewable Energy Bill ("**ORE Bill**") to Parliament, following public consultation on the proposed regime undertaken in 2022 and 2023. The ORE Bill introduces a bespoke legislative regime for offshore wind and other renewable energy ("**ORE**") developments in New Zealand, which is largely comparable to the Australian regime introduced in 2021. The regime is proposed to include:

- **Permits:** Feasibility permits will provide the permit holder with exclusive rights to conduct feasibility studies for ORE within a specified area for seven years, together with the exclusive right to apply for a commercial permit. Commercial permits (to be applied for following the undertaking of feasibility studies) will allow the permit holder to give effect to resource or marine consents for ORE generation infrastructure activities and begin construction within the area covered by the feasibility permit.
- **A largely developer-led approach:** New Zealand's approach is largely developer-led, with the onus on developers to identify and propose suitable sites for ORE infrastructure.
- **Government-initiated application rounds:** Developers are only permitted to submit applications during a government-initiated application round, and the Government may set limits where appropriate, for example in relation to generation capacity, spatial area, or technology type.

- **No price support:** The ORE Bill does not contemplate any mechanism for price support, consistent with the lack of price support for onshore renewable energy generation in New Zealand and New Zealand's market-based electricity model more generally.
- **Decommissioning plan:** Commercial permit holders will be required to carry out, and meet, the costs of decommissioning all ORE generation infrastructure attributable to the ORE generation activities under the permit.

Public submissions on the ORE Bill closed on 6 February 2025 and the Government continues to target its enactment in early-mid 2025 with the first feasibility permit round commencing by late 2025. We expect that the focus for relevant developers in 2025 will be to prepare their feasibility permit application, including to undertake the pre-application consultation requirements.[15] See our Energy Blog article here for more detail on the ORE Bill's proposals.

Oil and gas

The Government is in the process of reversing the ban of offshore oil and gas exploration via the Crown Minerals Act Amendment Bill ("**CMA Bill**"). The CMA Bill proposes numerous changes to reestablish industry, including reversing the exploration ban introduced in 2018 and changing how petroleum exploration permits are allocated. The Bill is currently awaiting its third and final reading.

While the Government intends to signal to the industry and investors that "New Zealand is open for business", it is unclear whether these changes will provide overseas investors the regulatory certainty they require to invest (or reinvest) in the New Zealand market. Oil and gas body representative Energy Resources Aotearoa wrote to the then-Energy Minister the Honourable Simeon Brown, stating that the industry was not likely to invest in exploring for new gas without government support.[16] Resources Minister (and Associate Minister for Energy), the Honourable Shane Jones has been making efforts to persuade investors back to the New Zealand oil and gas fold. The Minister's proposal for long-term gas contracts, with the Government committing to buy the gas, was denied by officials and not supported by industry representatives.[17] The approach would have differed from the Government's hands off approach to renewable energy sectors (see the discussion on ORE above).

The Government's actions to incentivise investors ran alongside a 22% fall in gas production in the quarter ending September 2024.[18] Further Government policy may follow to cover its policies for future production, in the context of the decline in supply of gas in the market as existing fields deplete. Despite the above, the New Zealand Energy Corporation and Greymouth Petroleum tapped new gas supplies from existing oil fields in 2024.

Biogas

Biogas (or green gas, and as distinguished from natural gas) may provide an alternative option for gas production moving forward and creates opportunities for new enterprises in the gas market. The Ministry of Business, Innovation and Employment ("**MBIE**") released their Gas Transition Plan issues paper in 2023, which identified biogas as an area of opportunity to reduce reliance on natural gas.[19] The 2023 paper stated that although the scale and time required to develop biogas initiatives was uncertain, the prospects were promising.

Several biogas projects were announced, or were underway in 2024:

- Ecogas working with Clarus-owned First Renewables kickstarted the first New Zealand project to upgrade biogas into biomethane and bioCO2.[20] The two companies announced on 6 November 2024 that renewable gas from the Ecogas Reporoa Organics Processing Facility is now flowing through a Firstgas gas pipeline for the first time. This milestone is likely to pave the way for further developments across the country, with Clarus stating that "gas will continue to play a key role in New Zealand's energy transition and its storability and transportability make it a reliable energy source for sectors hard to decarbonise."[21] The project utilises the major economic role that food production and export plays in New Zealand and repurposes this organic waste into clean energy.
- In September 2024, Firstgas announced it was close to commencing New Zealand's first hydrogen blending pilot, which will see a small amount of green hydrogen blended with natural gas into the existing Te Horo natural gas pipeline. This blended gas will be used by up to 15 households in their home appliances in Te Horo.[22]
- Other gas and electricity distributors, such as Powerco, have also announced renewable natural gas development initiatives to investigate the use of biogas in their networks to aid customers in decarbonising.[23]

The development of natural gas alternatives will contribute to New Zealand's sustainable energy transition, and the early stages of these initiatives suggest that opportunities will arise for both overseas and local investors moving forward.

Solar and offshore wind

New Zealand's solar and offshore wind sector continues to see significant interest from developers and investors. 10 solar farm proposals across the country were listed under the FTAA, with more in the pipeline. The FTAA enables these projects and the required approvals to be considered together in a streamlined process. In terms of the progression of development projects through to the start of construction, the securing of a long-term, satisfactory offtake arrangement remains a key milestone for most independent developers.

Of particular relevance to the solar and onshore wind sector will be the work of the Task Force discussed earlier, and the consultation on PPAs.

Amidst last year's progression of grid scale solar was the placement of SolarZero into liquidation. SolarZero is a solar electricity firm that installed solar kits on the roofs of residential houses and represented around 40% of the rooftop solar market in New Zealand.[24]

Hydroelectric

After very low hydro lake levels in August 2024, a wet spring and snow melt saw lake levels bounce back. For example, Manawa Energy's hydro storage dropped to 33% of its average by the end of July but was back to 78% of average by mid-September 2024.[25] Hydroelectricity accounted for approximately 60.5% of New Zealand's electricity generation in 2023,[26] and with most of the hydroelectric generation opportunities taken, there are limited options for new large hydro schemes. In any event, the variability of hydro production experienced in 2024 continues to reinforce New Zealand's need for a diverse mix of generation sources.

Last year, there were a significant number of reconsenting applications for large scale hydro schemes as a result of the expiry of existing consents in 2025, including 1743 MW of hydro capacity located on the Waitaki river chain.[27] While hydroelectric schemes have long life spans, investment into upgrading programmes is needed to ensure future longevity and improve generation efficiency. In 2024, Contact Energy began a $33 million upgrade to replace four of the eight turbines at the Roxburgh dam.[28] Mercury also entered the final stage of its $90 million upgrade of the Karāpiro Hydro Power Station.[29] Reconsenting of four hydro schemes were listed under the FTAA, including:

- Manawa Energy's Kaimai and Wheao hydroelectric schemes;
- Eastland Generation's Waihi hydroelectric scheme; and
- Genesis Energy's Tekapo hydroelectric scheme.

Geothermal

Approximately 17.8% of New Zealand's electricity came from geothermal sources in 2023,[30] and we saw some recent developments for the sector in 2024. For example:

- Contact Energy's $924 million geothermal power station at Tauhara became fully operational in May 2024.[31] Shortly after, it announced its plans to replace its 1950s Wairakei geothermal power station with a 101 MW geothermal plant, Te Mihi Stage 2, which is expected to be operational by mid-2027.[32]
- Additionally, construction began on Mercury's $220 million expansion of its Ngā Tamariki geothermal power plant.[33] A fifth generating unit will be added, which will contribute 46 MW to Ngā Tamariki's overall capacity.[34]

There has also been some focus on potential new geothermal technologies. GNS Science has been researching supercritical geothermal technology ("**SCGT**"), an endeavour supported by a $60 million fund from the Government to investigate this technology.[35] SCGT technology involves digging deeper wells to access geothermal fluid at higher temperatures, generating more energy than traditional geothermal sources. Additionally, GNS Science believes it will be easier to access SCGT in the Taupō Volcanic Zone than many locations internationally, making New Zealand a prime candidate for this technology. The potential for New Zealand is great, but there will be significant lead time, with the earliest predicted timeframe for SCGT availability being 2037.[36]

Another research venture (funded by the Ministry of Primary Industries and Tauhara North No. 2 Trust) concerns micro-organisms that feed on greenhouse gases produced at geothermal power stations, that convert these gases into livestock feed. The value of a new biomass feed industry for New Zealand has been estimated to potentially reach $500 million per annum by 2045 if the research and technology is successful.[37]

We look forward to seeing how these research projects could benefit the geothermal industry in the long-term.

Green hydrogen

MBIE released its Hydrogen Action Plan in November 2024, which builds on the consultation undertaken for the interim roadmap published in 2023. The Government has provided four key priorities to unlock market-led hydrogen investment:[38]

- creating an enabling regulatory environment;
- reducing barriers for consenting hydrogen projects;
- promoting cost-effective and market-led transition to a low-emissions economy; and
- supporting access to international investment and markets.

Further consultation on proposed amendments to health and safety regulations and standards for hydrogen is expected around mid-2025. Nevertheless, there are already projects under way.

The Energy Efficiency and Conservation Authority has already supported several green hydrogen vehicle transportation projects to reduce emissions by helping offset the upfront costs of adopting low and zero-emissions vehicles. These included light hydrogen fuel cell vehicles, heavy hydrogen fuel cell trucks, a hydrogen fuel cell bus, and hydrogen-diesel hybrid trucks. Further, Halcyon Power (a joint venture between Tuaropaki Trust and Obayashi Corporation), Hiringa Energy and H.W. Richardson have all commenced hydrogen initiatives in the heavy transport industry. In April 2024, Halcyon Power opened New Zealand's first green hydrogen fast refuelling station in Auckland, with other stations to follow in Tauranga, Taupō, and Palmerston North.

In the aviation sector, early viability trials were conducted in 2024 of hydrogen for charging and operational opportunities. The development of hydrogen powered aviation is being led by Air New Zealand, Wellington Airport, Toyota New Zealand, and Hiringa Energy. The New Zealand Hydrogen Aviation Consortium estimates that 2025 will see the introduction of a hydrogen network and logistics planning, the development of small and regional scale hydrogen powered aircrafts, further testing of small hydrogen powered aircrafts, and governing support schemes.[39] These initiatives make New Zealand well positioned for investment and industry implementation in relation to hydrogen implementation technology.

Carbon Capture, Utilisation and Storage

Following consultation in 2024, the Government remains committed to enabling a carbon capture, utilisation and storage ("**CCUS**") framework by progressing legislation in 2025.[40] Timeframes for the 2025 legislation have not yet been published. Carbon capture and storage is the process of removing carbon dioxide ("**CO2**") from the atmosphere and storing it permanently underground, where it is unable to escape back into the atmosphere. Carbon capture and utilisation is where, instead of just capturing and storing CO2, it is used in various industrial processes.

The Government has announced that the CCUS regime will include recognition of CCUS activities in the New Zealand Emissions Trading Scheme, in order to provide financial incentives for CCUS operators. In its 2024 consultation, the Government also proposed that the regime would:

- ensure accurate monitoring and reporting of emission reductions resulting from CCUS activities to mitigate leakage risk (including rules around administration and management, with penalties for non-compliance); and
- appropriately assign liability for storage sites, with operators remaining liable for a set period after the site's closure, at which point, if there is no significant risk of leakage or adverse environmental impact, the operator may be indemnified by the Government.

New Zealand's regime is likely to draw on international examples, such as those in Australia and the European Union, and will be primarily aimed at encouraging gas operators to establish sequestration facilities at existing gas fields. See our Energy Blog articles here and here for more detail on the proposed CCUS framework.

Any questions? Talk to one of our experts

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