

At a glance: New Zealand's Energy Package

OCTOBER 2025



Te Kāwanatanga o Aotearoa
New Zealand Government



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE) Hīkina Whakatutuki – Lifting to make successful

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Foreword



Reliable and affordable energy is the foundation of New Zealand's prosperity. It powers every part of our economy, from households to high-value industries, and it will increasingly determine our ability to compete in the global economy. With our natural wealth of energy resources, New Zealand has the opportunity to build one of the most secure, sustainable, and competitive energy systems in the world.

But today, that foundation is under strain. Wholesale electricity prices have more than doubled since 2017, and natural gas supply is declining faster than previously predicted. These pressures are driving up household bills, making life harder for families, and raising costs for businesses across the country. Left unaddressed, they risk slowing growth, eroding our international competitiveness, and undermining confidence in our economic future.

Our vision is clear: to build a resilient, competitive, and forward-looking energy market that turns New Zealand's natural wealth into a lasting advantage. The Government remains committed to New Zealand's market-based energy system, but energy security and affordability are bottom lines. A strong, well-functioning market must achieve both - ensuring the system has sufficient long-duration firming (i.e., generation plant and the fuel to run it that can cover dry years and long periods of low wind) to support our renewable boom, while also attracting long-term investment that brings down costs for consumers. Few countries are better positioned to achieve this.

Delivering on this vision is not just about keeping the lights on. It is about powering growth, unlocking investment in new generation, attracting high-value industries, and ensuring that New Zealanders can rely on affordable electricity for decades to come. The electricity market review confirmed what households and businesses already know: the system has not kept pace with the demands placed

upon it. Bold, urgent action is needed, and this Government will deliver it.

We will strengthen the market to deliver reliability and competition, support new generation and infrastructure, and take the steps needed to bring down costs for consumers. At the heart of our vision is a stable, dynamic, and competitive electricity market — one that drives innovation, attracts long-term investment, and delivers reliable, affordable energy to households and businesses alike.

With the plan of action put forward by this Government, we will turn today's energy challenges into tomorrow's opportunities. By modernising New Zealand's energy and electricity system, we will secure reliable, affordable power and build the foundation for sustained growth, productivity, and competitiveness on the world stage.

A handwritten signature in black ink, reading 'S Watts'.

Hon Simon Watts
Minister for Energy

The State of the Current Electricity Market

The market drives investment in renewables, but does not support reliability and resilience

New Zealand is in the middle of a renewable boom. The recent review of electricity markets by *Frontier Economics* concluded that the current “energy-only” market design is driving strong investment in wind, solar, and geothermal. But the review also found the system is not delivering firm fuel supply or long-duration firming needed to underpin a largely renewable energy system. This gap is critical: intermittent resources, even with hydro storage and demand response, cannot guarantee supply during extended dry years or wind droughts.

Dry years and wind droughts are hard to forecast. The inherent risk and uncertainty that dry years in particular pose to our energy system is reflected in the ever-higher energy prices faced by households and businesses. Long-duration firming is therefore needed as a backstop.

Currently, the lack of long-duration firming in the system is due to a perfect storm of fuel scarcity, sovereign risk for investors, lack of transparency in the market, and weak investment incentives. Without decisive government action, New Zealand will remain vulnerable to dry year risk and households and businesses will remain exposed to higher electricity prices and reliability risks.



We need a multifaceted set of policy actions to address these challenges

To address each of these challenges in turn, the Government has designed a carefully balanced policy package organised into two complementary workstreams. Individual actions within and across the workstreams will provide a layered set of solutions to current challenges, whilst underscoring the Government's market-led approach to the energy sector.

WORKSTREAM 1:

Invest in Energy Security

- **Action 1.1:** Deliver a Liquefied Natural Gas import facility - Government will run a competitive procurement process for an LNG import facility.
- **Action 1.2:** Remove capital constraints on the Mixed Ownership Model companies – remove capital constraints on the majority Crown-owned Mixed Ownership Model companies, with a clear expectation that each of these companies should separately seek out and bring forward opportunities for new generation
- **Action 1.3:** Increase New Zealand's energy supply through government energy demand - Leveraging Government's purchasing power to drive new energy projects.
- **Action 1.4:** Supercharge renewable energy - Electrify NZ will double New Zealand's renewable energy by 2050 through ambitious resource management changes, the Fast Track approvals process and offshore wind legislation.

WORKSTREAM 2:

Build Stronger Markets

- **Action 2.1:** Reduce sovereign policy risk for investors - The Government will provide greater certainty for investors in key energy projects.
- **Action 2.2:** Create a more powerful Electricity Authority - A regulator that is fit for purpose, focusing on the right things with the right tools to do its job.
- **Action 2.3:** Improve transparency and efficiency of the electricity market - Amplify measures to improve electricity market transparency and information that encourages new generators and independent retailers to enter, grow and compete in the market.
- **Action 2.4:** Improve gas market transparency - Ensure that gas and electricity markets have the information they need to plan for the future.
- **Action 2.5:** Build reliability and resilience in the market - Strengthen the current regulatory framework to ensure that dry year risk will not re-emerge in the future.
- **Action 2.6:** Improve the business efficiency of electricity distribution business (EDBs).



Workstream 1:

Invest in energy security

ACTION 1.1:

Begin procurement for a Liquefied Natural Gas (LNG) import facility

Government will run a competitive procurement process for an LNG import facility

NEW

Problem: The electricity market review found that we lack sufficient firm fuel for dry years. Declining gas reserves and policy uncertainty have left the system exposed with no reliable source of fuel to power existing plants. This has resulted in increased wholesale prices for households and businesses.

Response: The Government will commence the first phase of procurement for an LNG import terminal¹ to provide New Zealand with reliable and on-demand access to fuel. Imported LNG can ensure fuel supply for long-duration firming. This will give investors confidence to accelerate renewable investment, by ensuring the system can cover dry year risk.

The facility will:

- Guarantee on-demand fuel for electricity generation during dry years, supporting our highly renewable system;
- Provide continuity for industrial, commercial, and residential users who cannot easily switch from gas; and
- Strengthen national resilience against supply shocks.

Government will engage with the sector and undertake a Registration of Interest (ROI) process to test market interest, including possibilities to deliver LNG quickly. The ROI will open **6 October 2025**. The next set of decisions is expected to be taken by the Government in **December 2025**.



¹ An LNG terminal is a facility that manages liquefied natural gas (LNG) by receiving and unloading LNG carriers, storing the LNG in cryogenic tanks, and then either regasifying it back into natural gas for distribution or liquefying it for export.

ACTION 1.2:

Remove capital constraints on the Mixed Ownership Model companies

The Government will remove capital constraints on the majority Crown-owned Mixed Ownership Model companies, with a clear expectation that each of these companies should separately seek out and bring forward opportunities for new generation

NEW

Problem: The Government is the majority owner of the Mixed Ownership Model companies. These companies play a key role in investing in new generation, including thermal firming capacity, to address dry year risk and support energy security and affordability.

Frontier Economics found that the Mixed Ownership Model companies were limited in their ability to raise equity capital, as the Government was not seen as likely to provide them with additional capital. This constraint has reduced their ability to invest in large scale projects or take a more ambitious approach to their investment pipeline.

Response: The Government will remove the perceived capital constraints on the Mixed Ownership

Model companies. The Government is committed to working with the companies, and shareholding Ministers have communicated their clear expectation that each of these companies should separately seek out and bring forward opportunities for new generation. The Government will look favourably on such opportunities when they stack up commercially and are supported by the Mixed Ownership Model companies' other shareholders.

By working with each of them where appropriate, we will give these companies the confidence they need to pursue strategic and commercially rational investments that deliver on these objectives and help advance the Government's goals for secure and affordable energy supply.

ACTION 1.3:

Increase New Zealand's energy supply through government energy demand

Leveraging government's purchasing power to drive new energy projects

NEW

Problem: Investors are holding back from building new capacity because of policy risk and revenue uncertainty. Without long-term demand signals, new projects stall.

Response: The Government will look to use its own energy demand as an anchor to accelerate the delivery of new supply. Long-term purchase agreements for technologies and fuels provide guaranteed revenue streams and de-risk investment.

The UK Government is one such example. They use Crown Commercial Services to bring government customer needs together and enter into long-term

agreements which typically last between 5 and 15 years. These agreements offer fixed long-term pricing and support the build of new assets, as well as the UK's energy security goals.

We will issue a Request for Information (RFI) on **1 October 2025** inviting proposals with all technologies and fuels in scope. The RFI will be open for six weeks and will identify the range of potential projects that could add to energy supply, and possible commercial arrangements. Responses will directly shape the procurement approach, and the Government will advise the market on next steps by **December 2025**.

ACTION 1.4:

Supercharge renewable energy

Electrify NZ will double New Zealand's renewable energy by 2050 through ambitious resource management changes, the Fast Track approvals process and offshore wind legislation

ONGOING

Problem: The *Frontier Economics* review highlighted that New Zealand's energy system is heavily reliant on hydro generation and exposed to dry year risk but also found that there is a strong pipeline of renewables ready to be built if consenting and connections are unlocked.

Response: The Government is removing barriers to accelerate the delivery of renewable energy and has set an ambitious target of doubling New Zealand's renewable energy by 2050.

There is a wide range of work underway, including:

- Targeted changes to the RMA as an interim measure and new legislation to replace the RMA, to be introduced in **Q4 2025**.
- Updates to RMA national direction prioritising energy infrastructure – with updated national policy statements in place **by the end of 2025**.
- Fast-tracking energy projects – with 22 renewable energy projects listed in the Fast-track legislation and more to come.
- New legislation passed to enable offshore wind development in New Zealand in **Q1 2026**.
- Streamlined connection processes led by the Electricity Authority.

These changes will give investors faster decisions, clearer pathways, and confidence to commit capital now. New renewables are essential to energy security, and affordability – and the Government is removing all roadblocks to ensure they are delivered at pace.





Workstream 2: Build stronger markets

ACTION 2.1:

Reduce sovereign policy risk for investors

Government will provide greater certainty for investors in key energy projects

NEW

Problem: The *Frontier Economics* review noted that sovereign risk has discouraged investment in long-duration capacity and fuel. Without clear commitments, investors may not be able to price risk or commit capital.

Response: The Government has agreed to develop options to reduce market concerns about changes in policy, recognising policy risk as a barrier to investment in long-duration firming. These can include:

- *Indemnities* - where the Government commits to financial redress if specific policy changes affect a project's viability.
- *Co-investment* - where Government offers equity or loans for strategic projects relating to fuel security (for example, \$200 million set aside for co-investment in new gas fields through Budget 2025).

- *Public-private partnerships and other procurement contracts* - which provide long-term revenue certainty and/or financial redress if the project is closed.

The tools can be applied flexibly. Initially, they will support investment in oil and gas and LNG infrastructure. Using these tools will give investors the certainty they need to back large-scale, capital-intensive energy projects. The tools can be applied across the sector and will complement regulatory enablement measures, including Fast-Track and other regulatory tools to ensure the fast delivery of projects.

The Government expects to outline further decisions on these tools in **Q1 2026**.



ACTION 2.2:

Strengthen the Electricity Authority with new powers and penalties

We need an electricity market regulator that is fit for purpose, focused on the right priorities, equipped with the right tools, and strong enough to keep the market fair

NEW

Problem: The Electricity Authority (EA) lacks the powers and agility to effectively regulate the market. Weak enforcement and slow rulemaking have limited investment and raised costs for consumers.

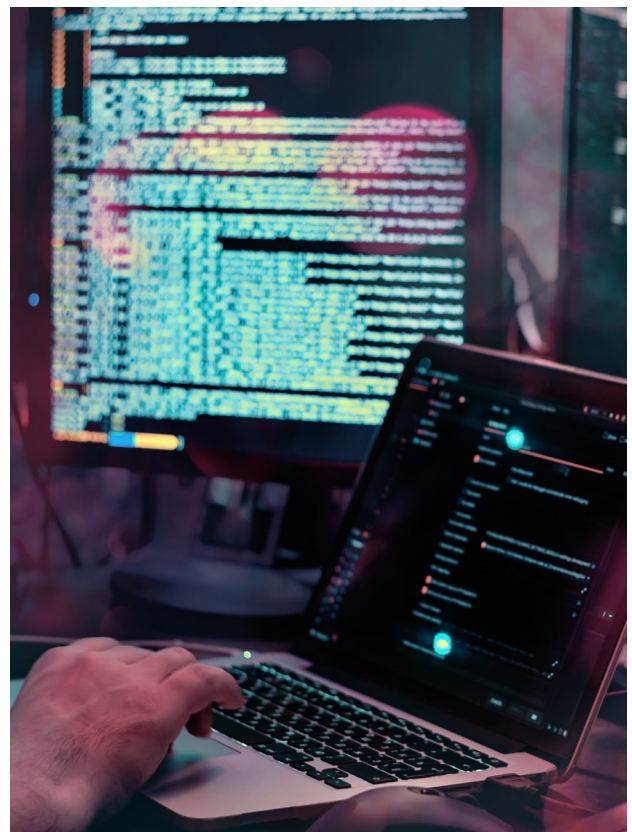
Response: The Government will strengthen the EA to make it a more powerful, decisive regulator, focused on ensuring a genuinely competitive and reliable market. The EA will have the tools to enforce competition, regulate for long-term resilience (*Action 2.5*), speed up decision-making, and guarantee that the market delivers secure affordable electricity.

Reforms may include:

- Raising the maximum penalties for a Code breach from \$2 million to \$10 million or three times the commercial gain to align with Commerce Commission powers.
- Criminalising certain business conduct (including knowingly misleading the EA).
- Stronger powers for the EA to gather information.
- Faster rule changes to keep pace with market developments.
- Enhanced market monitoring and reporting on competition and security of supply.

The Government envisions a stronger EA as the foundation for fairer competition, lower prices, and greater investment confidence. These changes will require legislative changes, and the Government expects to introduce legislation in **Q2 2026**.

The EA's enhanced market monitoring role for security of supply will be complemented by a greater focus by the system operator, Transpower, on emerging risks to security of supply. This will involve incorporating more accurate information on thermal fuel availability and improving monitoring of the generation pipeline to provide a clearer picture of any emerging gaps.





ACTION 2.3: **Improve Transparency and Efficiency of the Electricity Market**

Amplify measures to improve electricity market transparency and information to encourage new generators and independent retailers to enter, grow and compete in the market

ONGOING

Problem: A key element of building better markets is improving transparency. This supports efficient investment, enhances competition, and gives participants the confidence to manage risk effectively.

Response: The *Frontier Economics* review noted that the Electricity Authority (EA) should make better use of the data it collects on hedging. The Review recommends reporting on trends in contracting and the implications these trends are having on competition. A key objective for the use of this data should be to improve the sophistication of the market monitoring and assessment of competition in the market. In its enhanced role, the EA will build on ongoing work and give effect to:

- Improved disclosure of thermal fuel information.
- Targeted reforms to increase hedge market transparency.
- Measures to enhance hedge market liquidity.
- Enhanced stress-testing on market participants.

The strengthened EA will undertake further pro-competition measures, where necessary, to ensure the electricity market remains genuinely open, dynamic, and fair.

ACTION 2.4:

Improve gas market transparency

Ensuring that gas and electricity markets have the information they need to plan for the future

NEW

Problem: The electricity market review highlighted that poor and delayed information about gas reserves, production, and demand is undermining confidence in the energy market. Incomplete data leads to inefficient investment, increased costs, and makes it harder for both gas and electricity markets to function effectively.

Response: The Government will establish a stronger gas information framework, ensuring timely, reliable, and transparent data is available to all market participants. This is essential to building an energy market that is efficient, competitive, and capable of delivering secure and affordable energy. This will include:

- Reducing timeframes for MBIE to receive and publish gas reserves and production forecast data so the market has up-to-date visibility of supply from 2026.
- Directing Gas Industry Company to produce an annual gas supply and demand study that provides forward-looking insights, with the next report due at the end of 2025.

- Consulting with industry on additional information requirements in the fourth quarter of 2025, with finalised new information requests being released in the first quarter of 2026.

Improved gas market transparency complements the wider reforms to strengthen the EA (*Action 2.2*), enhancing electricity market functioning (*Action 2.3*), and enhancing current regulations to build reliability and resilience into the market (*Action 2.5*).

Together, these changes will ensure investors have confidence, competition is fair, and both gas and electricity markets deliver for consumers.

ACTION 2.5:

Build Reliability and Resilience into the Market

Strengthen the current regulatory framework to ensure that dry year risk will not re-emerge in the future

NEW

Problem: The *Frontier Economics* review found that current market settings do not deliver adequate long-duration firming to complement a highly renewable energy system to address dry year risk. As New Zealand's energy demand increases, and renewable build accelerates to support it, the risk of energy shortages during extended dry years and wind droughts will grow unless investment in long-duration firming keeps pace.

Response: Earlier actions in this package will support dry year cover in the near- to medium-term. However, given the debilitating impact high electricity prices have had on the wider economy in recent years, we must ensure that the problem does not reemerge over the long-term, and that there are enduring incentives for investment in long-duration firming.

Therefore, for any residual dry year risk not addressed by earlier actions in this package, and recent market efforts to maintain generation capacity and secure fuel, the Government will strengthen the current regulatory framework to ensure that considerations of reliability and resilience are incorporated to support our renewable dominated system. The strengthened Electricity Authority will oversee and enforce these requirements, with its stronger monitoring and enforcement toolkit (per *Action 2.2*).

Enhancements to the current regulatory framework will aim to provide clear investment signals for flexible and long-duration capacity to back a renewables-led system in order to:

- Reduce the risk premium in forward contracts by lowering dry year uncertainty.
- Enable independent developers to secure firm contract cover to accelerate renewable build.

The framework will be designed in consultation with industry between now and Q1 2026. The framework will minimise adverse effects and be phased in accordingly to give the market long-term certainty. As noted, this action will augment other measures in this package.



ACTION 2.6: **Improve the business efficiency of electricity distribution businesses (EDB)**

Boosting electricity distribution business efficiency

NEW

Problem: The electricity market review noted inefficiencies across New Zealand's 29 distribution businesses, with duplication of systems and uneven investment, raising costs for households. Distribution charges make up roughly 25 percent of household electricity bills, so greater efficiency across EDBs can reduce total costs, leading to lower prices.

Response: The Government will require EDBs to lift efficiency through greater standardisation, collaboration, and smarter investment planning, while keeping decision-making close to communities, similar to how local water networks are managed when done well. This will reduce costs across the system, driving lower prices for households and businesses.

EDBs will also have more freedom to invest in local generation connected to their networks and to Transpower's grid, strengthening both local resilience and national competition.

MBIE and the EA will closely monitor EDB performance, with clear milestones set through to **Q4 2026**. If networks fail to meet them, the Government will intervene directly with mandated efficiency measures.

This approach delivers lower bills for households while empowering local networks to adapt to rising demand and the shift to a renewable system.

Other work to ensure energy security and affordability

Since taking office, this Government has moved quickly to restore confidence in New Zealand's energy market and shore up our energy security and affordability.

We have **boosted supply and investment by:**

- Removing the previous Government's target of 100% renewable electricity by 2030 and cancelling the Lake Onslow pumped hydro scheme, which was deterring investment.
- Repealing the offshore oil and gas exploration ban and committing \$200 million in Budget 2025 for co-investment in gas fields, to address gas supply risks.
- Reducing consenting barriers through Fast-track legislation and wider resource management system reforms.
- Supporting greater uptake of rooftop solar.

We have **strengthened market competition by:**

- Establishing the joint Electricity Authority and Commerce Commission Energy Competition Task Force, which is progressing hedge market and mandatory non-discrimination obligations to increase competition in the market.
- Implementing a Consumer Data Right for electricity, so consumers have the information they need to compare their power bills and get the right deal for them.

We are working towards a **smarter electricity system by:**

- Updating New Zealand's energy efficiency regime to regulate smart devices like smart electric vehicle (EV) chargers, and introducing more time of use plans, rebates and tariffs so consumers who change their time of use or supply electricity back to the grid get a financial return.



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