

Legal 500

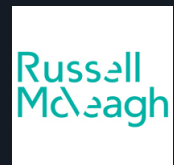
Country Comparative Guides 2025

New Zealand

Renewable Energy

Contributor

Russell McVeagh



Michael Loan

Partner | michael.loan@russellmcveagh.com

Mei Fern Johnson

Partner | meifern.johnson@russellmcveagh.com

Dan Minhinnick

Partner | daniel.minhinnick@russellmcveagh.com

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

For a full list of jurisdictional Q&As visit legal500.com/guides

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? What is the generation mix (conventional vs renewables) in your country?

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.

New Zealand's total generation capacity was 9.8 GW in 2023. According to the Ministry of Business, Innovations and Employment ("**MBIE**") approximately 88.1% of the electricity generated over 2023 came from renewable sources. Of this, hydroelectric generation accounted for 60.5%, geothermal accounted for 17.8% and wind accounted for 7.4% (in approximate percentages). Natural gas and coal accounted for 9.4% and 2.4% respectively.

Renewable energy makes up a significant portion of New Zealand's generation mix – this is largely due to New Zealand's existing hydro and geothermal generation fleet. However, over the past few years there has been an increasing level of development activity in solar and onshore wind, as well as 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, and four more material solar projects coming online in 2024. Certain developers are now exploring the potential for offshore wind generation in New Zealand.

2. What are the key developments in renewable energy in your country over the last 12 months?

During the last 12 months, this Government expressed a strong focus on creating a regulatory environment which enables industry development and investment. This is made evident in several legislative developments and proposed amendments.

The Fast-track Approvals Act 2024 ("**FTAA**"), which was enacted in December 2024, intends to "fast-track" the consenting of projects of national and regional significance, including onshore renewable energy projects. It provides a "one-stop-shop" for these projects

to obtain environmental and planning approvals to begin construction and start operating.

Reforms have also been proposed to legislation which refine the existing consenting process for renewable energy projects.

Numerous reforms have been proposed to the Overseas Investment Act 2005 ("**OIA**"), which contains New Zealand's very complex foreign investment regimes. The reforms have been proposed to shift the regime into a more permissive and risk-based approach. As a result, consent applications will be reviewed from the perspective that an investment can proceed unless there is an identified risk to New Zealand. These reforms, particularly when combined with the FTAA, will make it quicker and easier to invest in New Zealand renewable energy projects.

The Resource Management Act 1991 ("**RMA**") – the Resource Management (Consenting and Other System Changes) Amendment Bill was introduced in December 2024 which seeks to speed up the consenting of renewable energy projects and reduce associated consenting costs under the RMA. This includes a proposal to require decision makers to process and decide on renewable energy projects within one year of an application being made.

The Offshore Renewable Energy Bill ("**ORE Bill**") was brought into Parliament in December 2024, which establishes a bespoke legislative regime for offshore wind and other offshore renewable energy projects ("**ORE**"). If enacted, the regime would grant permit holders an exclusive right to conduct feasibility studies and undertake commercial operations (please see Question 9 for further details on this).

In November 2024, MBIE has released a Hydrogen Action Plan. As set out in this plan, the Government will prioritise creating an enabling regulatory environment, reducing barriers for consenting hydrogen projects, promoting cost-effective and market-lead transition towards a low-emissions economy, and supporting access to international investment in markets. On the regulatory front, it has been announced that changes to health and safety regulations which consider hydrogen use are being considered. The Government has also stated their commitment to progressing carbon capture, utilisation

and storage ("CCUS") legislation in 2025 which will include recognising CCUS activities in the New Zealand Emissions Trading Scheme ("NZ ETS") to encourage CCUS operators.

There has been a strong focus on ensuring the electricity market is fit for purpose given the increasing demand for electricity. Transpower, who operate and maintain New Zealand's transmission infrastructure, has been approved to undertake a \$392.9 million investment to upgrade existing grid connections. This forms the first phase of further upgrades which will be made to grid infrastructure in the coming years.

Additionally, the Commerce Commission and Electricity Authority have established the Energy Competition Task Force in response to a period of high pricing in August 2024. The Task Force includes eight initiatives to be carried out, which are stated to facilitate the enabling of new generators to enter and compete in the market. The Electricity Authority has also begun to seek consultation on their Network Connections Project, which addresses reform options for distribution connection pricing. This may result in a change in the Electricity Industry Participation Code 2010 ("Code").

3. 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 (which relates broadly to 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 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 Climate Change Commission (New Zealand's independent crown entity responsible for advising the Government on climate change mitigation and adaptation) ("CC Commission") is required to review the target under the CCRA by reference to the number a number of criteria set out in the CCRA. As a result of that review, the CC Commission recommended that the split-gas target should be changed to encourage a faster reduction in emissions. The recommended amendments to the target are set out as follows:

- a. net accounting emissions of greenhouse gases other than biogenic methane are at least negative 20 MtCO₂e by the calendar year beginning on 1 January 2050;
- b. gross emissions of biogenic methane in a calendar year are:
 - i. at least 10% less than 2017 emissions by the calendar year beginning on 1 January 2030; and
 - ii. at least 35–47% less than 2017 emissions by the calendar year beginning on 1 January 2050; and
- c. there are further reductions and removals of greenhouse gases after 1 January 2050.

In addition to its domestic target, New Zealand submitted its second Nationally Determined Contribution ("NDC") under the Paris Agreement in 2024. The NDC was recently updated in January 2025, which included a headline target to reduce net domestic emissions by 51 to 55% below New Zealand's gross 2005 level by 2035. The NDC may be met using a mix of domestic action and international mitigation, where New Zealand effectively purchases emissions reductions from other countries.

4. 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 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.

5. Who are the key political and regulatory influencers for renewables industry in your jurisdiction? Is there any national regulatory authority and what is its role in the renewable energy market? 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).

MBIE commenced work on the development of the New Zealand Energy Strategy in 2023, which the previous government had committed to develop by 31 December 2024 – however, this has not been released. 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 ORE development and market measures for the transition to an expanded and more renewable electricity system. The Government has advised that the National Policy Statement for Renewable Electricity Generation and Electricity Transmission will be amended to create more directive and enabling national direction for renewable electricity generation, transmission and distribution.

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 Code 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 Government on environmental matters and administers key legislation such as the RMA

(which contains the standard consenting regime in respect of renewable energy projects in New Zealand). The Ministry for the Environment also monitors the CC Commission.

The Environmental Protection Authority also regulates a range of environmental functions under the RMA and other legislation that relates to the consenting of renewable energy projects. In particular, it provides administrative support to the decision-maker for ORE applications in the exclusive economic zone.

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 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 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.

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

One emerging example 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).

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).

The key benefits that corporate buyers may achieve by entering into PPAs is 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.

Whilst New Zealand's corporate PPA market is relatively nascent, 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. A number of corporate PPA's were signed in New Zealand in 2023, including by Amazon, Microsoft, the Warehouse Group, New Zealand Steel, and Ryman Healthcare.

In addition, New Zealand businesses are increasingly looking to utilise roof space for systems that generate solar power. By way of example, Auckland Airport is constructing 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.

7. 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 are prevalent in boardrooms across

New Zealand and are continuing to drive 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.

Climate change and social licence considerations are core drivers of the ESG agenda. However, the regulatory framework in New Zealand is also playing an important role. In particular, climate-related disclosure is mandatory for large publicly listed issuers and financial institutions (as to which, see Question 7).

International trade developments are also influencing domestic business decisions, with factors relating to both customer demand and regulation playing a role. For example, the Free Trade Agreement ("FTA") between New Zealand and the European Union, which took effect on 1 May 2024, commits both parties to high environmental standards and enforceable sustainability obligations, and some New Zealand exports are also impacted by Europe's Carbon Border Adjustment Mechanism. In light of these international developments, using clean energy is likely to be increasingly important for maintaining market access and trading successfully.

8. 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)?

Discussions around reducing carbon emissions are "front and centre" in many New Zealand organisations, with businesses having matured these discussions significantly in recent years.

A major contributor to this increase in maturity has been the implementation of the mandatory climate-related disclosures regime. Under this regime, approximately 170 of New Zealand's large listed issuers and financial institutions ("**Climate Reporting Entities**") are required to report publicly on matters relating to their climate-related risks and opportunities on an annual basis. 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 disclosure requirements are also increasing 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. Initially the regime offered exemptions from reporting obligations in relation to some disclosure requirements in the first year if reporting. Further to this, in November 2024 three amendments to the regime were approved to give Climate Reporting Entities an additional year's extension before they are required to disclose scope 3 greenhouse gas emissions, anticipated financial impacts of climate related risks and opportunities, and to obtain assurance over scope 3 emissions. While the changes offer short-term relief, continuing to upskill in these areas in preparation for mandatory disclosure of these matters from 2026. 2025 is also the first year that Climate Reporting Entities are required to disclose details in relation to transition planning.

In relation to political and regulatory support, New Zealand has a settled regulatory framework for climate change mitigation, embedded in the CCRA. Amongst other things, this legislation sets domestic emissions reduction targets and requires the Government to put in place emissions budgets and emissions reduction plans. It also establishes the Emissions Trading Scheme, which is the main policy tool and a key form of regulatory and political support for driving national reductions in emissions. The independent CC Commission, which was established by the CCRA, also plays a critical role in advising 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 generally enjoys cross-party support from New Zealand's major political parties.

The specific policies that are in place to support emissions reductions in New Zealand tend to depend on the government of the day. The Government's approach focuses on encouraging industry investment and development by creating a permissive regulatory environment to drive electrification, including through streamlining consenting processes. For example, the FTAA, which was passed into law in December 2024 establishes a simplified fast-track regime for infrastructure developments with significant regional or national benefits. This legislation aims to accelerate the development of low-emissions infrastructure by reducing regulatory barriers. Further legislative changes which enable renewable energy projects are expected in 2025. Specifically, the proposed ORE Bill proposes to introduce a regime for offshore wind and other renewable energy developments. The Government's proposed reform of the OIA, which is aimed to speed up decision-making and provide more certainty to overseas investors, is also likely to encourage offshore investment in renewable energy projects.

While the Government is focussing on renewable energy as already described, it has also scrapped flagship policies of the previous Labour government in relation to the energy transition, including the Clean Car Discount, the Government Investment in Decarbonising Industry Fund and a proposed review of the emissions trading scheme.

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 Government is a significant property owner and tenant in New Zealand, these requirements are driving market improvements in energy efficiency in buildings.

9. 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; biomass; battery energy storage systems (BESS) and biomethane?

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 ORE in New Zealand, the long-awaited ORE Bill was introduced to Parliament in December 2024. The regime proposed under the ORE Bill provides for feasibility permits, which grant the holder exclusive rights to conduct feasibility studies over a specified area for seven years, as well as the exclusive right to apply for a commercial permit following feasibility studies. Commercial permits will enable the permit holder to give effect to their resource or marine consent in order to begin construction and operation of ORE generation infrastructure within the designated area (subject to obtaining relevant environmental consents under the RMA and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 ("EEZ Act")).

10. Is the government directly involved with the renewables industry (auctions etc)? Are there government-owned renewables companies or are there plans for one?

The 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 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.

The Government funds Ara Ake, which was launched in 2020 to help energy innovators in New Zealand develop and commercialise. Ara Ake is owned by key stakeholders in the energy sector.

Up until recently, the New Zealand Green Investment Finance ("NZGIF") was an important government initiative in the renewables industry. However, as announced on 25 April 2025, the Government has advised that NZGIF will stop making new investments and will wind down its existing portfolio to redirect its efforts on more effective

investments.

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 5.

11. 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?

A core part of the Government's strategy is to reduce consenting timelines to speed up development and boost economic growth.

The key legislation regulating the development of new renewable energy projects in New Zealand is the RMA, which contains the consenting regime for projects onshore and up to 12 nautical miles off the coast. Sitting below the RMA is a National Policy Statement on Renewable Electricity Generation 2011, which seeks to provide 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.

For renewable energy projects in New Zealand offshore environment approvals are required under the EEZ Act. This Act manages the effects of activities in the exclusive economic zone (12 to 200 nautical miles from the coast of New Zealand) and in / on the continental shelf. Applications for consent under the EEZ Act have been discouraged while the ORE Bill and the commercial permitting regime is being developed. As described in Question 2, the Government has also enacted the FTAA which seeks to speed up the consenting process for major infrastructure projects, including renewable energy developments.

The Government has acknowledged that around \$100 billion of investment will be needed by 2050 to upgrade New Zealand's transmission and distribution networks to

meet growing electricity demand driven by electrification and population growth. In August 2024, the Government released its next steps on the 'Electrifying New Zealand' plan. In summary, these include the following:

- a. Introducing a fast-track approvals and permitting regime – this has taken the form of the FTAA.
- b. Making amendments to the RMA for renewable energy project to speed up resource consenting, extend the default lapse period from 5 years to 10 years and increase the default consent duration to 35 years
- c. Implementing stronger national direction for renewable energy, including by amending the National Policy Statements for Renewable Electricity Generation and Electricity Transmission so they are far more directive and enabling of renewable electricity and transmission.
- d. Introducing a new regime for offshore wind – the ORE Bill has been introduced to Parliament proposing such a regime.
- e. Updating regulatory settings for electricity networks and new connections – the Commerce Commission and the Electricity Authority are undertaking work to update regulatory settings to ensure New Zealand's system can cope with the economy-wide shift to electrification. In 2024, the Electricity Authority released a consultation paper on distribution connection pricing reform, with potential amendments to the Electricity Industry Participation Code expected in 2025.

Work on these reforms is underway (including in the Resource Management (Consenting and Other System Changes) Amendment Bill) and expected to continue through 2025, with further details on renewable energy initiatives anticipated from the Government.

Please also refer to Question 3 for the key legislation in respect to the emissions reduction target in New Zealand and the Government's initiatives in that space.

12. Are there any government incentive schemes promoting renewable energy (direct or indirect)? For example, are there any special tax deductions or subsidies (including Contracts for Difference) 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 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 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. A significant update was made to the NZ ETS in November 2024, when it was amended to exclude the agriculture sector. This change will take effect on the 1 January 2026, when farmers will no longer have to report on their emissions, and 1 January 2027, when farmers will no longer be required to pay for their emissions.

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.

13. How does the structure of the natural gas industry in your country impact the price of electricity? Are there any plans to de-link the price of renewable electricity from gas prices?

The natural gas industry is privately owned and there is a shrinking domestic supply, which can make electricity prices sensitive to gas availability when combined with other factors impacting the generation sector.

While there are currently no formal policies in place to de-link the price of renewable electricity from gas prices, the Government has initiated a review of electricity market performance. This review will assess whether the current market structure, design, and rules are still appropriate, including specifically reviewing the December 2023 Market Development Advisory Group report on pricing in a renewables-based system.

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, regulatory constraints on acquisitions; disputes/challenges?

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. 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. The FTAA has now been passed to provide an alternative consenting pathway for resource consent. This legislation has been designed to simplify and accelerate approval processes for major infrastructure projects, including renewable energy developments.

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? What are the impacts (either actual or expected) of the implementation of the Net Zero Industry Act (EU) Regulation 2024/1735?

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.

The impacts of the Net Zero Industry Act (UE) Regulation 2024/1735 ("EU Regulations") are uncertain for New Zealand, although they are unlikely to have a direct impact on the build out of new generation in New Zealand. The Ministry of Foreign Affairs and Trade has stated that, in respect of the EU Regulations, an increase in subsidy levels for European producers in sectors deemed critical to the green transition risks undermining the competitiveness for New Zealand and other foreign exporters without similar government support.

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 (e.g. 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, and it remains to be seen what impact new US tariffs will have.

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. In December 2024, it was announced that Meridian Energy would partner with Nova Energy on this

project in a 50-50 joint venture arrangement. The offtake would be shared 50-50 between the two parties. In addition, in January 2025, Harmony Energy announced that, alongside Clarus in a joint venture arrangement, they have reached financial close on the 150 MW Tauhei Solar Farm project in Te Aroha. The project is expected to become fully operational in 2026.

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 several developers exploring the potential for offshore wind in New Zealand. Once enacted, the regime provided under the ORE Bill will provide the legal framework for the development of offshore wind in New Zealand. A key feature of this regime is the introduction of feasibility permits, which grant developers exclusive rights to undertake feasibility studies in specific areas. Once granted, the feasibility permit becomes a prerequisite before applying for a commercial permit, which allows the developer to proceed with construction and operation of development projects.

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, as the government does not intend to make contracts for difference or other power price hedging arrangements available to projects in New Zealand, the offtake arrangements that developers are able to secure will be critical to their ability to raise the significant capital required to construct such contracts. Nonetheless, the Government is supportive 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. The Government has reaffirmed its commitment to hydrogen development

through the MBIE Hydrogen Action plan.

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.

21. What is your forecast for the coming year(s) for renewable energy in your jurisdiction?

Renewable energy will be a large part of meeting goals to reduce all greenhouse gas emissions (other than biogenic methane) to net zero by 2050 and increasing New Zealand's electricity produced by renewable sources. Significant investment in renewable energy will be

required, including to keep up with expected increases in demands for electricity in New Zealand.

Further legislative reform in the renewable energy sector is expected to occur in the coming year(s) including the following reform:

- a. The development of new nationally consistent provisions (in the form of a new National Policy Statement for Renewable Electricity Generation and other national direction) to provide more directive and enabling provisions for renewable energy generation, transmission and distribution.
- b. The passing of the ORE Bill to support offshore renewable projects. The first application round for feasibility permits is expected to occur in late 2025 with the first feasibility permits then granted in 2026.
- c. Potential amendments to the FTAA to enable ORE projects to use that fast-track consenting process.
- d. Replacement of New Zealand's key environmental and planning legislation, the RMA, with two new pieces of legislation – this is expected to encompass a Planning Act focused on regulating the use, development and enjoyment of land and a Natural Environment Act focused on the use, protection and enhancement of the natural environment.
- e. Potential amendments to the Code following the Electricity Authority's consultation paper proposed connection pricing reform.
- f. The removal of a regulatory barriers to the construction of critically needed facilities to import Liquefied Natural Gas, which the Government has (in principle) agreed to pass a law enabling such an import terminal.

Contributors

Michael Loan
Partner
michael.loan@russellmcveagh.com

Mei Fern Johnson
Partner
meifern.johnson@russellmcveagh.com

Dan Minhinnick
Partner
daniel.minhinnick@russellmcveagh.com

