# Briefing for the Incoming Minister for Energy

23 January 2025

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Te Kāwanatanga o Aotearoa
New Zealand Government

# Contents

# 1. Welcome to the Energy portfolio

1. The Government has set out a number of priorities for New Zealand's energy system, including:
   - delivering Net Zero 2050 by doubling New Zealand's renewable energy
   - ensuring that New Zealand households and businesses have secure and resilient access to electricity at internationally competitive prices
   - Electrifying NZ through improved resource management settings for renewable energy infrastructure. This includes through the newly enacted Fast-track Approvals Act, work to update national direction for renewable electricity generation, transmission and distribution and accelerating the implementation of an offshore wind regulatory system
   - commissioning a study into NZ's fuel security requirements
   - investigating the reopening of Marsden Point oil refinery and implementing a Fuel Security Plan
   - planning for transitional low carbon fuels, including the infrastructure needed to increase the use of methanol and hydrogen to achieve sovereign fuel resilience
   - supporting development of hydrogen technology.
2. There are significant links between your portfolio and others, particularly with respect to gas and its impact on security of electricity supply (Resources Portfolio), Electrify NZ (RMA Reform Portfolio), and Supercharging EV Infrastructure (Transport Portfolio). Later in this brief we indicate which aspects of the Government's current work programme you have joint responsibility for with other Ministers. The Associate Energy Minister is currently delegated responsibility for all matters related to engine fuel security, specifications, and infrastructure (as set out later in this brief).
3. The purpose of this briefing is to:
   - provide initial advice on the strategic issues facing the New Zealand energy system and indicate the main aspects of the current portfolio work programme which are working to address these issues (section 3)
   - provide background information about the Energy portfolio (contained in sections 2, 4 and 5)
   - indicate matters requiring your immediate attention in the next two weeks (section 6).

# 2. Executive Summary

4. Energy is fundamental to economic activity and the conduct of much of our daily lives. New Zealanders and businesses depend on affordable and secure energy, and increasingly expect their energy to be renewable.

5. New Zealand's energy is delivered by the private sector. Government policy needs to provide the right regulatory and market environment to ensure that the sector delivers an energy system that is secure, reliable and affordable.

6. The energy sector faces several strategic issues that you will need to address. The current energy portfolio work programme is structured to support this.

***Security of electricity supply is tight and driving elevated prices***

7. Our most immediate challenge is to ensure sufficient electricity generation that can be dispatched when required.

8. The electricity system needs to develop more firm, flexible generation to improve security and lower average prices. There is a lack of new plant being built that can reliably generate to meet peak demand when the wind is not blowing, the sun is not shining and the rain has not fallen.

9. We currently require gas, coal, or diesel generation to provide firm and flexible generation. However, there are various challenges for these forms of generation to remain economic, which is driving high prices and the risk of outages during winter peaks.

***We need to maintain our gas supply for all its current uses, until there are suitable alternatives***

10. Gas supply is critical to ensure we have enough firm generation for electricity. Gas is also an important contributor to New Zealand's economy and many businesses and critical services.

11. Gas production is at a 40-year low and continues to be below the sector's own forecasts. Each of the last five quarters have shown a decline from the previous quarters' production. New Zealand's gas reserves remain in decline, despite significant investment. The challenging supply outlook has risks for both gas users and for electricity security.

12. Businesses that rely on gas and cannot afford price increases or have no technological options to switch will also face increasing challenges. In some cases this may see business closures.

13. We have a range of work underway to support security of supply that you can progress, including the Energy and Electricity Security Bill, The Gas Security Response Group, and an enabling framework for carbon, capture, utilisation and storage.

***Progressing with reforms under Electrify NZ will ensure that the sector can build enough renewable electricity generation, distribution and transmission to meet growing demand***

14. Analysis predicts electricity demand increasing by 70-170% above current levels by 2050, although more could be required to enable new uses like producing hydrogen or other new fuels. Meeting this demand will require a large and rapid increase in generation, transmission and distribution infrastructure.

15. We have work underway to enable the sector to build this new infrastructure, including Resource Management Act reform and the passage of the offshore renewable electricity bill (in addition to the recently passed Fast Track Approvals Act). We recommend you continue to progress this work at pace.

***Effective and efficient market regulation will be required***

16. The rules that govern energy markets, and the structure of those markets, are a major determinant of whether New Zealand has affordable, reliable and secure access to energy. Returns earned in the market need to incentivise sufficient investment in our energy infrastructure to meet our needs, however prices also need to remain affordable for the wider economy and consumers. Market settings are also intrinsically linked with ensuring the market will deliver security of supply.

17. Work under way to ensure the market achieves a secure, reliable and affordable electricity system includes an Independent Review of Electricity Market Performance, the recently issued Electricity Government Policy Statement, and various measures being examined by the Energy Competition Taskforce to better enable new generators and independent retailers to enter and compete in the market, which will help encourage more and faster investment in new generation and put downward pressure on prices.

***There are opportunities to reform regulatory settings for a least cost energy transition***

18. There is a variety of work underway to reform regulatory settings so that consumers can use demand flexibility (such as smart EV charging) and distributed energy generation (such as rooftop solar) to manage their own electricity bills, reduce electricity infrastructure costs and support the resilience and sustainability of the electricity system.

19. You can progress changes to the Energy Efficiency and Conservation Act to enable standards to be set for these technologies, and we intend to bring you further policy decisions on mandating smart EV chargers and increasing the ability of electricity networks to accommodate injection of consumer generated electricity. The Energy Competition Taskforce will also shortly consult on three measures for enabling consumers to be appropriately compensated for shifting their electricity consumption and injecting electricity back to the grid.

***There are opportunities to enable more use of New Zealand's abundant renewable resources to reduce emissions from energy and support the development of new industries***

20. New Zealand's export viability will increasingly depend on how green our products and supply chains are. Reducing emissions provides an opportunity to meet trading partners' growing expectations for renewably produced and transported goods, thereby maintaining and growing international markets and creating skilled jobs. While the greatest opportunity to reduce emissions comes from electrification, it is more challenging for New Zealand's energy intensive or hard to abate industries to electrify. As security of supply issues become less severe and new electricity generation is progressed by the energy sector, there are opportunities to use renewables to bolster growth and produce new fuels or bioenergy. The Government has released the Hydrogen Action Plan to progress updates to regulation to enable more utilisation of hydrogen, and we also welcome discussions with you on your objectives for the Woody Biomass Taskforce.

***Fuel markets will require ongoing oversight***

21. Having a secure and resilient supply of engine fuels is critical to our economy. As we import almost all of our engine fuels, a significant and sustained supply disruption of our engine fuels would cripple industry and cause significant hardship to New Zealanders. The Government therefore has a role to consider the public interest and whether there are appropriate levels of competition, fuel stockholding and investment. The Associate Minister for Energy has work underway on a fuel security study, which includes investigating the reopening of the Marsden Point Refinery and establishing a Fuel Security Plan.

***Some New Zealanders and businesses are finding energy unaffordable***

22. Even with efficient and competitive electricity markets, and new technologies, some New Zealanders and businesses are finding it difficult to afford adequate energy services. A key driver of prices increases for electricity consumers will be the investment in electricity network infrastructure required in coming years. You have responsibility for a range of initiatives that support energy efficiency and affordability – including some EECA-led programmes like Warmer Kiwi Homes and MBIE's energy education and community energy programmes. An early matter you will need to consider is the mid-term review of the phase out of the Low Fixed Charge Regulations.

# 3. Portfolio overview

## Purpose of this section

23. This section sets the scene for the Energy portfolio by outlining the regulatory systems you are responsible for, the associated appropriations, and MBIE staffing arrangements.

24. This is supplemented by section 4 of this briefing, which provides a more detailed breakdown of the legislation, entities and appropriations that sit within these systems.

## Responsibilities

25. As Minister for Energy you are responsible for the energy markets regulatory system. The energy system plays a significant role in creating a productive and sustainable economy. This includes being central to New Zealand's transition to a low emissions economy, while maintaining secure and affordable energy and mineral resources for New Zealanders.

26. The energy markets regulatory system comprises the institutions and markets involved in the production, supply and consumption of energy and related services. It includes regulatory and non-regulatory measures to support the reliability and security, competition, efficiency, access and affordability of energy.

27. Importantly, New Zealand's energy is delivered by the private sector. Government policy needs to provide the right regulatory and market environment to ensure that the sector delivers an energy system that is secure, reliable and affordable. You also have a role to set expectations with the sector on what the Government expects.

28. The energy markets regulatory system includes the policy, legislation, regulations and rules governing:

- **Electricity:** generation, storage, transmission, distribution and retailing
- **Gas:** storage, transmission, distribution and retailing of natural gas and LPG
- **Energy use and efficiency:** policy settings for supporting the efficient industrial and domestic use of energy, the provision of energy efficiency product standards and information for energy consumers
- **Liquid fuel markets**: importation, production and export, storage, distribution and retailing of refined oil products and other liquid fuels. Later in this brief we outline which aspects of fuels policy are currently delegated to the Associate Minister for Energy.

29. The petroleum and minerals regulatory system, which is the responsibility for the Minister of Resources, is intrinsically linked with the energy system. New Zealand's reserves of minerals, oil and gas are valuable national assets and have a role to play in securing our supply of affordable energy. Minerals such as aggregate are also critical to infrastructure and industry, and some of our minerals will likely be essential in a low emissions economy. The regulatory system contains the framework for managing New Zealand's Crown-owned petroleum and mineral resources and leading the development and regulation of our resources.

## Departmental arrangements

30. The Energy portfolio is supported by the Energy Markets (EM) Branch of the Ministry of the Business, Innovation and Employment (MBIE). We would normally provide information at this point on the number of MBIE staff employed in the Energy portfolio. Over the past year, MBIE has gone through significant organisational change involving 34 processes that have resulted in an 11% reduction of MBIE's workforce

and significant change to the Energy portfolio workforce. An update of the FTE portfolio attribution data is currently underway following the completion of the 2024 change processes and we will report this to you separately in the near future.

## Appropriations you are responsible for

31. The Energy and Resources appropriations sit within Vote Business, Science, and Innovation. For 2024/25 (as at the October Baseline Update), the Energy portfolio is responsible for $627.8m. This is made up of departmental funding (funding received by MBIE to provide services directly) of $18.7m and non-departmental funding (funding provided via MBIE to other agencies for them to provide services) of $609.1m.

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## Legislation

33. The Energy portfolio is responsible for administering nearly 15 Acts and their supporting legislation, including statutes regulating the electricity, fuel and gas sectors. These are set out in section 4 below.

# 4. Strategic issues in the Energy portfolio

### The portfolio work programme is addressing several priority strategic issues

34. The Government's priorities include doubling renewable energy by 2050 and ensuring that Kiwi households and businesses have access to affordable and secure electricity at internationally competitive prices.

35. In order to support these outcomes, there are several strategic issues in the Energy portfolio that require management:

- ensuring **security of supply** to meet a range of challenges, including the declining availability of gas, increasingly intermittent electricity generation, and the need for more investment in firm and flexible electricity generation
- **ensuring the regulatory environment enables rapid growth** in renewable energy generation, transmission and distribution infrastructure to meet increasing demand and provide opportunities for economic growth
- a range of measures under way to modernise the energy system to support a **least cost transition**, helping businesses and households manage increasing energy costs through innovation and to reduce their own emissions
- enabling the use of our abundant renewable energy resources, including alternative fuels, to **reduce emissions** from the energy and industrial sectors while supporting innovation
- Ensuring effective operation of fuel markets to support the economy and account for **new technologies**.

36. Two cross cutting outcomes are also critical to enable the energy system to deal with these issues:

- **effective and efficient electricity markets** so that competition drives affordability and innovation, and ensures the market is incentivised to deliver the energy system New Zealand needs. This involves you working closely with independent regulators (the Electricity Authority and Commerce Commission), who have responsibility for market settings, as well as clear and stable policy and expectation setting from Government to support decision making in the energy sector.
- ensuring **energy affordability** in the face of significant short to medium term cost increases arising due to the need for upgrading energy infrastructure, growing costs in the ongoing use of fossil-fuels for electricity generation, and increases in fuel prices for consumers and businesses. In the longer term – beyond 10 years – we can expect the rise of electricity prices to ease as the share of cheaper renewable generation grows. But there will be equity impacts through the transition for those who cannot afford to switch to new technologies.

### The energy sector underpins our economy and society, and is under transition

37. Energy is fundamental to economic activity and the conduct of much of our daily lives. New Zealanders and businesses depend on affordable and secure energy, and increasingly expect their energy to be renewable. New Zealand's energy system has served us very well to date and our long-term energy outlook is positive. Compared to many other countries, New Zealand's energy supply is generally highly reliable, renewable, and affordable.

38. However, the energy system is changing. Throughout the world economies are seeking to lower emissions and to shift to renewable energy. This process is also underway in New Zealand. Industry, transport and other energy users are beginning to switch from fossil fuel-based energy to renewable electricity and

bioenergy, and exploring new fuels such as hydrogen. As a result, in the coming years there will be fundamental changes in both the supply of, and demand for, energy.

39. Today, our energy supply is dominated by private sector players who respond to commercial incentives and regulatory settings. It is critical, however, that policy and regulatory settings support the management of security of supply in the energy system while this transition occurs. If we lack this security, the economy will not be able to access sufficient energy to make the transition. It is also critical that regulatory settings ensure downward pressure on prices for consumers.

## Security of electricity supply

### Security of electricity supply is tight and driving elevated prices

40. Our most immediate challenge is to ensure sufficient electricity generation that can be dispatched when required (the sun isn't shining, the wind isn't blowing, rain has not fallen) particularly to meet peaks in demand on cold winter mornings and evenings, and when we have 'dry years'. This is often referred to as "firming".

41. There are two underlying security of supply risks that the electricity system needs to manage to keep the lights on and support further economic development:

| | |
|---|---|
| **Peak capacity (short-duration) risks** | When there is not enough power plant online generating at once to meet sharp peaks in demand or unexpected drops in supply. New Zealand is at particular risk of capacity challenges during 'wet years' because much of our backup generation is currently slow-starting thermal plant, which takes several hours to warm up. When there is lots of water available for hydropower, like winter 2023, it is not economical for slow-starting thermal plants to be warmed up and ready to generate at short-notice.<br><br>The last major capacity event was on 10th May 2024 when an unexpected cold snap coincided with low wind generation and several plants being on outage for maintenance ahead of winter. The system operator called on households to conserve power.<br><br>The progress of several grid scale Battery Energy Storage Systems (BESS) in the pipeline of new generation will be critical to addressing capacity risks in the coming years. |
| **Seasonal energy (long-duration) risks** | This risk occurs when there is not enough fuel (water, gas, coal, biomass) available to generate all the electricity needed throughout winter. New Zealand is particularly exposed to seasonal energy risk because we rely on hydropower for around 60 per cent of our electricity but have comparatively limited hydro storage (around six weeks). Every few years the water, wind and solar available for generation falls by 2000 to 4000 gigawatt hours.<br><br>There was a seasonal energy shortage in winter 2024, which resulted in prolonged high gas and electricity prices. The tight gas supply led to some industrial gas customers struggling to get supply and the high prices impacted businesses bottom line. Notably some pulp processors cited the high prices as the reason for closing part of their businesses. Methanex paused production to sell their gas into the market which alleviated the shortage and reduced prices.<br><br>Building enough new generation to displace hydropower (allowing more water to be preserved going into winter) and maintaining existing thermal backup generators like the Genesis Rankine units will be essential to managing seasonal energy risks in coming years. |

42. The system needs to develop more firm, flexible generation to improve security and lower average prices. There is a strong pipeline of intermittent renewables to help support electrification. However, there is a lack of new plant being built that can generate reliably to meet peak demand when the weather conditions

are not conducive to generation. It will critical that regulatory and market settings encourage investment in this firm, flexible generation.

43. We currently require fossil-fuelled or thermal generation (gas, coal, diesel) to provide firm and flexible generation. However, this thermal generation is:
    - ageing and so at increasingly risk of suffering outages or coming to the end of its life
    - increasingly constrained by declining domestic gas supplies
    - less likely to attract investors to develop or maintain as it is being used less often.
44. While we are likely to get to very high levels of renewable electricity in the medium-term, we will require some gas and or coal in our system for some time yet.
45. The system will go into winter 2025 in a stronger position to manage capacity and seasonal energy risks than it did in the last wet year (2023) and dry year (2024). New geothermal generation and the return of some fast-start gas generation help provide more peaking capacity than 2023. High lake levels and gas storage (due to Methanex agreeing to reduce demand in late 2024) mean we have significantly more flexible fuels available to manage seasonal energy risks compared to 2024.
46. However, the electricity system is not on track to have the right supply to comfortably manage security risks in the coming years. This is reflected in high electricity prices, which are driven by security of supply.

| | |
|---|---|
| **Spot prices** | Change constantly to reflect the real time balance of supply and demand. When supply is tight, spot prices rise to signal for more expensive backup generation or for electricity users to flex their demand.<br><br>Spot prices will become increasingly volatile, as the system fluctuates from needing more expensive backup plant or being able to meet demand solely with cheap renewables. |
| **Forward (contract) prices** | Are more stable prices that household and businesses (or retailers who purchase on their behalf) can buy future electricity at. Forward contracts are the basis of most power bills and will become increasingly essential for helping industries manage spot price volatility.<br><br>Forward prices reflect the market's expectations for security of supply: how often and how long market participants expect spot prices to rise due to seasonal energy and peak capacity risks. New Zealand's forward contract prices began rising significantly in 2021 and currently remain elevated until at least 2029. |

## Security of gas supply

### We need to maintain our gas supply for all its current uses, until there are suitable alternatives

47. Gas is an important contributor to New Zealand's economy and it will continue to be vital to our energy security for the foreseeable future. New Zealand has a generally closed gas system with little ability to supplement our domestic supply through imports.
48. While we expect demand for gas to decline over time, gas will remain critical to support the growth in intermittent renewable generation, help meet short term peaks in electricity demand, and remain central to residential, industrial and commercial activity.
49. The outlook for gas supply is challenging, with risks for both gas users and for electricity security:

- Gas production is at a 40-year low and continues to be below the sector's own forecasts. Each of the last five quarters have shown a decline from the previous quarters' production.
- New Zealand's gas reserves remain in decline, despite significant investment. Since 2017, $1.77bn has been invested in exploration ($1.44bn in existing fields and $330m in new fields).

50. As gas fields age, investment is needed to maintain a consistent level of production. All our fields are late in life and thus need ongoing and increasing investment. However, this investment is potentially becoming less likely due to reducing demand for gas, recent poor drilling results, and the uncertainty in the future role for gas in the economy (including due to policy changes).

51. The demand for natural gas is reducing due to higher gas prices, supply chains demanding emissions reductions and uncertainty of future gas supply. Gas demand will shrink as those that can electrify do so. But gas will remain critical for some parts of the energy system that cannot switch to alternatives. This includes:

- providing the fuel to meet short term peaks in electricity demand
- some residential and commercial customers that cannot either access or afford to switch to alternatives, and
- industrial processes that rely on natural gas.

52. When the gas supply reduces faster than demand there is a direct economic impact for those relying on gas, such as reduced supply or higher prices. In some cases, outsourcing the manufacture of energy-intensive finished goods to other countries is likely to be the most economic option, meaning industrial closures. Further, some critical services – such as hospitals – may have challenges accessing gas and have no choice but to pay very high prices.

53. On top of the direct impacts, there is also the potential to erode business confidence through a less reliable energy supply. This lack of confidence could also flow on to not enough investment being made into the gas distribution system because of the uncertainty about the availability of gas or if the customer base declines.

Free and frank opinions

## Key workstreams to deliver security of supply

55. MBIE has a significant work programme to improve security of supply across a number of facets.

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[redacted]

*Gas Security Response Group*

59. The Gas Security Response Group (GSRG) was set up by Cabinet in May 2024. It is convened by MBIE and brings together gas producers and large users including electricity generators to respond to issues in the security of the gas supply. The GSRG is currently working through the industry views on the potential to import Liquified Natural Gas to supplement our domestic gas supply.

60. The next meeting will be in February 2025 where there will be a focus on plans for Winter 2025 to ensure there is price and supply stability.

*Reversing the ban on offshore oil and gas exploration (Minister of Resources responsibility)*

61. The Government has legislation in the House that will remove the current ban on issuing new petroleum exploration permits outside onshore Taranaki, and introduce targeted measures to increase investment in New Zealand's petroleum sector. This may encourage further investment in supply of gas to support security of the electricity supply. The timing of the final stages of the Bill are currently being considered by the Minister of Resources.

*Work is underway with the Ministry for the Environment on an enabling framework for carbon, capture, utilisation and storage*

62. Carbon capture, utilisation and storage (CCUS) refers to technologies that involve capturing carbon dioxide ($CO_2$) and either utilising it in products and processes or injecting it deep underground into suitable geologic formations to remain indefinitely (also known as carbon capture and storage or CCS).

63. The lack of a framework for carbon capture and storage (CCS) is a gap in New Zealand's regulatory landscape. The main barriers to uptake are the current lack of an emissions trading scheme (ETS) incentive or reward, and an uncertain consenting pathway to approve CCS activities.

64. Deploying CCS at high $CO_2$ gas fields could help emissions abatement as well as improve gas security of supply. CCS could reduce the costs of production by avoiding ETS obligations for $CO_2$ that would otherwise be vented, and potentially revenue from other emitters to store third-party $CO_2$.

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[redacted]

*Other work relating to security of supply*

67. MBIE and the Electricity Authority also have a number of other workstreams underway aimed at ensuring the market operates effectively to manage security of supply challenges. We will provide you more detailed briefing on the scope of this work.

## Reforming regulation to ensure we can meet growth in demand for electricity

68. New Zealand already has a highly renewable electricity system and our abundant renewable resources provide a strong platform to meet increasing electricity demand over the coming decades. This means electrification of our transport, households, businesses and industry will be the main way New Zealand achieves energy sector emission reductions over the coming decades and we have a strong starting point to do this.

69. Your portfolio is responsible for the Electrify NZ programme, which is reforming regulatory settings to enable rapid growth in renewable energy generation, transmission and distribution infrastructure to meet increasing demand and provide opportunities for economic growth.

### There is a strong pipeline of new renewable generation

70. Forecasts are for an unprecedented level of growth in demand for electricity. Large scale switching from fossil-fuel based energy to renewable electricity is key to a more sustainable energy system. Analysis predicts electricity demand increasing by 70-170% above current levels by 2050. Meeting this demand will require a very large and rapid increase in generation, transmission and distribution infrastructure.

71. Forecast new generation could be sufficient to meet demand, but there is considerable uncertainty. Consented developments do not always proceed, or proceed on schedule. Current estimates for electricity demand are also uncertain. They may significantly understate demand, and do not allow for demand for emerging uses, like as an input into the production of energy-intensive goods such as hydrogen or sustainable aviation fuel. MBIE is working with the Electricity Authority to refine estimates of future electricity demand and the supply pipeline. As discussed earlier, we also need to ensure that future generation includes flexible resources that can be “dispatched” during peak times.

72. Through the Regional Infrastructure Investment Fund, the Government has recently announced support for supercritical geothermal research, which could provide substantial volumes of firm generation in future.

### We need to get the settings right to ensure enough generation build takes place at pace

73. Developers of new generation report that the main challenges they face are consenting delays and regulatory uncertainty. A resource management system that enables timely decisions and recognises the importance of scaling up renewables at pace is essential. Further, New Zealand lacks a legislative regime to enable offshore wind generation to become a part of our energy mix in future should this become desirable. There is a significant programme of work underway to address these challenges as follows.

*RMA Legislative reform*

74. The Government's RM Reform programme delivers several Electrify NZ commitments. The RM Reform programme is led by the Minister Responsible for RM Reform, but you have joint ministerial decision-making responsibility for the energy-related national direction instruments and Resource Management Act energy consenting changes.

75. Phase Two of the RM reforms include the newly enacted Fast-track Approvals Act, amending the Resource Management Act to speed up resource consenting and strengthening national direction for renewable energy.

76. The Fast-track Approvals Act provides an alternative pathway for obtaining consent for nationally or regionally significant projects, including energy and transmission projects. The Fast-track legislation requires decision-makers to give the greatest weight to a project's benefits in deciding whether to grant regulatory approvals. The legislation lists 22 renewable generation and two transmission projects. These listed projects will receive a more rapid consideration by Fast-track decision panels. Other projects will be able to apply to the Minister for Infrastructure to receive the opportunity for panel consideration.

77. The Resource Management (Consenting and Other System Changes) Amendment Bill is currently before the Environment Select Committee. For renewable energy projects, the Bill establishes a default maximum of one year for consent processing, increases default consent durations to 35 years and increases consent default lapse periods from 5 years to 10 years.

78. National direction on renewable electricity generation, electricity transmission and distribution will progress as part of a wider RM national direction package. The amendments are intended to deliver a more enabling and directive decision making framework. Confidential advice to Government

79. RM Reform Phase Three will replace the RMA with two new Acts. An Expert Advisory Group has delivered a draft report on the blueprint for RM reform to the Minister Responsible for RM Reform.

*Passage of offshore renewable energy legislation and associated regulations*

80. Offshore renewable energy (especially offshore windfarms) could deliver substantial volumes of renewable electricity. We are currently developing a new regulatory regime to enable the development of offshore renewables.

81. The Offshore Renewable Energy Bill and had its first reading in December 2024, delivering on an action in the Government's Quarterly Action Plan. Submissions close on 6 February 2025 and we are due to deliver the initial briefing to the Committee on 13 February 2025. The Bill establishes:

    - a two-stage permitting regime designed to give potential developers greater certainty and enable the selection of developments that best meet New Zealand's interests;
    - decommissioning and financial security obligations to ensure the costs of decommissioning do not fall to the government; and
    - the ability to have safety zones to protect infrastructure and people.

82. The intention is to launch the first permit round by the end of 2025. To enable this, we are concurrently developing the priority regulations needed to deliver the first round. You will be asked to make policy

decisions on feasibility permit regulations in February 2025, and to take decisions on cost recovery to the Cabinet Economic Development Committee in early April.

83. We are also establishing the regulator to deliver the regime. The regulator will be housed within MBIE and sit alongside New Zealand Petroleum and Minerals (the regulator for the Crown Minerals Act).

## Effective and efficient market regulation

84. The rules that govern energy markets, and the structure of those markets, are a major determinant of whether New Zealand has affordable, reliable and secure access to energy.

85. Returns earned in the market need to incentivise sufficient investment in our energy infrastructure to meet our needs, however prices also need to remain affordable for the wider economy and consumers. This is a constant balance requiring effective and efficient market settings. Market settings are also intrinsically linked with ensuring the market will deliver security of supply.

*Government policy statement*

86. A Government Policy Statement (GPS) on electricity was issued in October 2024 to the Electricity Authority and electricity industry participants. The GPS outlines the Government's expectation that the Electricity Authority will drive a more competitive, fuel agnostic, electricity sector that works in the long-term interests of consumers and avoid excessive prices. The Electricity Authority will have regard to the GPS as it works to ensure electricity market settings are right to unleash private sector investment and to enable consumers to take advantage of innovations in electricity supply and demand.

87. The GPS was issued in the context of the winter 2024 supply tightness and high prices. While most electricity consumers are hedged against spot price movements, some large industrial consumers were not fully hedged and the exposure to high prices contributed to closure of some businesses. This illustrates an important linkage between supply security and affordability – energy prices rise when the margin between supply and demand falls.

88. To bolster the messages set in the GPS, in your initial engagements with the energy sector you may wish to consider setting clear expectations about the need for them to meet security of supply and affordability challenges.

*Review of Electricity Market Performance*

89. Following Cabinet decisions in November 2024, the Minister for Energy and the Minister for Resources have initiated a review of the performance of electricity markets (the Review) to ensure they are fit-for-purpose [ECO-24-MIN-0245 refers]. The Review is expected to begin in the week commencing 27 January and be completed in June 2025. We expect you to receive a draft report in April for comment.

90. The Review will advise on the impact of market structure, market design, and market rules on electricity market performance, and on options to improve market performance in terms of the Government's objectives. The Review will look at whether current regulations and market design support economic growth and access to reliable and affordable electricity. The Review should identify and explore improvements to current market arrangements, including any alternative market models or market designs which would support the performance objectives of markets.

91. Cabinet agreed the Review will be undertaken by suitably qualified independent experts with electricity markets expertise and experience in comparable countries, providing fresh perspectives and insights from other markets. We have established a small project team to support the Review team and provide

Ministers with advice as it progresses. Procurement of the experts to undertake each of the Review roles will be completed by Friday 24 January, and their identities remain in strict confidence until all contracts are executed and an announcement made.

92. A meeting has been scheduled for you and Minister Jones with the Lead Reviewer, Frontier Economics, at 3:30pm, Tuesday 28 January. This important meeting will provide an early opportunity for Ministers to engage with key members of the Lead Reviewer team, and provide guidance on any particular areas Ministers wish the Review to focus on. We will provide you with an event briefing for this meeting, including further background on this Review, and more detailed timing steps.

*Energy Competition Taskforce Package One*

93. In response to very high wholesale prices in August 2024, an Energy Competition Task Force was jointly established by the Electricity Authority and Commerce Commission to investigate ways to improve the performance of the electricity market. MBIE is participating as an observer. Taskforce Members will meet regularly with you and the Minister of Resources to update you on progress. As is standard, you will also receive briefings from the Electricity Authority on any proposals or decisions prior to their release.

94. The work of the Task Force is split into two packages. Actions relating to Package One are outlined below. Package Two is discussed under the following section of this brief. We will provide you more detailed briefing on the Taskforce's work.

95. In New Zealand the majority of generation is from the gentailers with, around 10% currently coming from independent generators Package One aims to enable new generators and independent retailers to enter and better compete in the market, which will help encourage more and faster investment in new generation and puts downward pressure on prices. Package Two aims to enable consumers to be more adequately rewarded for shifting their time of energy use and/or feeding electricity back to the network at peak times.

96. The measures in Package One respond to long-standing claims that gentailers are using their market power to limit the supply of firming contracts, and hamper independent generators and retailers, and industrials, ability to manage their risk. It also builds on the Electricity Authority's concern, following its Risk Management Review's draft findings, relating to supply terms for "super-peak" risk management products and its conclusion gentailers may be using market power. If implemented, the measures have the potential to substantially shift the dial on access to firming contracts, and create a more level playing field.

97. The measures included in Package One are:

| | **Measure** | **Status** |
|---|---|---|
| 1A | Improve access to firmed supply so independent generators can offer firmed power purchase agreements (PPAs) | Consultation paper released - closes 28 February |
| 1B | Introduce standardised contracts for flexible supply ("Standardised Flexibility Product") | Trading of flexibility product ongoing |

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## Regulatory settings for a least cost energy transition

98. Consumers now have the ability to shift and automate when they consume electricity (demand flexibility). They can also generate and store electricity for themselves through distributed energy resources (DER), then provide it back to the electricity system. Devices that enable these new behaviours include electric vehicles with smart charging, solar panels with battery storage, and smarter home devices and systems (for example control of water heaters or home energy management systems).

### There are opportunities to increase the adoption of new technologies to help consumers manage their electricity bills and contribute to the resilience of the electricity system

99. Enabling demand flexibility and DER across the electricity system can significantly reduce the overall system cost at every level (consumer, retail, distribution, transmission) in the following ways:

- demand flexibility can be used by consumers to avoid buying electricity at times of high prices
- DER owners can generate and store their own energy and rely on it to avoid paying at times of high prices or simply reduce their overall bill
- electricity distribution networks may be able to defer upgrades to their networks, for example by relying on smart devices to shift demand from traditional peak times. They can use flexibility to manage congestion. Reduced upgrade costs will result in lower electricity prices.
- wholesale market participants can reduce their exposure to high wholesale spot prices by accessing aggregated flexibility and DER. Reduced costs for wholesale market participants should also flow back to consumers in their bills.
- greater use of flexibility to meet demand peaks can help reduce electricity generation emissions, as thermal generation tends to be used most during peak times

100. Key to more consumers purchasing and using these devices is ensuring that retailers and distributors provide appropriate payment to them to reflect the benefits these behaviours provide to the electricity system. The Electricity Authority is responsible for market settings that ensure this.

101. However, there are also range of regulatory settings that need updating to enable this future and reduce the costs of adoption. The following work streams are underway in your portfolio to support a least cost transition.

*Changing the Energy Efficiency and Conservation Act*

102. Cabinet has agreed to amend the Energy Efficiency and Conservation Act (EEC Act) [ECO-24-MIN-0162]. The changes will enable the setting of minimum standards for demand flexibility capability in energy using products. They will also make the regulatory system more agile, by shifting from setting technical standards in regulations, to rules. These changes are needed to enable the regulation of devices like smart EV chargers and to adopt joint energy efficiency standards at the same pace as Australia. Confidential advice to Government

*Consumer Data Right for Electricity*

103. The Government has consulted the public on creating a consumer data right for the electricity sector using the regulatory framework of the Customer and Product Data Bill (expected to be passed in early 2025). There was strong for support for regulatory intervention to improve consumers' access to customer and product information about their electricity usage. A Consumer Data Right should enable better consumer decision making about switching electricity plans and reducing their use. The Minister of Commerce and

Consumer affairs is the lead minister, but you are jointly responsible for progressing the potential designation of the electricity sector.

*Smart EV charging standards*

104. Most EV charging takes place at home and there is a risk that peak electricity demand could significantly increase as EV uptake increases. Increased peak electricity demand creates a need for electricity network and generation investment that could lead to increased costs for all consumers, not just those with EVs.

105. Smart charging – shifting when electricity is consumed or reducing consumption at times of high demand, could substantially reduce the need for upgrading infrastructure and therefore costs that are passed on to consumers. Smart charging can also enable consumers to avoid high prices and help manage intermittency and potentially contribute to resilience in the electricity system.

106. The previous Minister for Energy indicated an intention to mandate that EV chargers sold or imported into New Zealand have smart functionality in order to enable the electricity system to better make use of this option based on standardisation. This would be implemented once new powers in the EEC Act noted above are in force. Officials have been engaging informally with stakeholders and Confidential advice to Government

*Energy Competition Taskforce Package Two*

107. On 12 February 2025, the Energy Competition Task will release consultation papers on three measures that aim to ensure consumers get appropriate payment for the benefits that DER and demand flexibility provide to the energy system. Some of these measures have been advocated for by stakeholders such as Rewiring Aotearoa.

108. Ensuring that electricity market rules require appropriate payment should encourage more consumers to take the upfront investment decision required to adopt these technologies, as they will have better visibility of the potential electricity bill savings on offer and the return on their investment. The measures being consulted on are as follows:

- Requiring electricity distribution networks to pay a rebate to consumers who inject electricity at times when this avoids network costs
- Requiring electricity retailers to have at least one plan that pays consumers for shifting their time of electricity use (e.g. to avoid peaks)
- Requiring electricity retailers to have at lease one plan that pays consumers for injecting distributed energy generation at peak times.

109. These measures will be implemented through changes to the Electricity Code. The Authority intends to take final decisions on whether to adopt these measures in June 2025.

*Updates to Electricity and Gas Safety Standards*

110. We have work underway to update Electricity and Gas Safety Regulations 2010 to reduce the costs of installing new technologies like rooftop solar, home batteries and electric vehicle chargers, by aligning them with the latest international standards. We also recently consulted on changes to increase the permitted “voltage range” on electricity distribution networks to enable consumers to inject more electricity back to the network and accommodate more electric vehicle charging.

111. Confidential advice to Government You will also receive updated regulations for progressing through the relevant legislative steps to enable them to be Gazetted before the end of May.

## Enabling use of renewables to reduce emissions from energy and support the development of new industries

### New Zealand's industry is facing growing pressure to move to a lower emissions economy

112. New Zealand has a trade-oriented economy with a comparative advantage in agriculture and international tourism. Our export viability (including tourism) will increasingly depend on how 'green' our products and their supply chains are. Reducing emissions provides an opportunity to meet trading partners' growing expectations for renewably produced and transported goods, thereby maintaining and growing international markets and creating skilled jobs.

113. Emissions from energy use make up 37 per cent of New Zealand's gross emissions. The greatest opportunities for emissions reductions in the energy sector in the second emissions budget and the near term come from increased electrification and energy efficiency gains in light transport and process heat. Work underway in relation to security of supply and effective market settings aims to ensure electricity can be accessed by industry at internationally competitive prices. Tackling security and affordability concerns is a necessary precursor to giving businesses and households the confidence to electrify and reduce their emissions.

114. Reducing the emissions profile of our most energy-intensive sectors and industries (e.g. aluminium, concrete, aviation, methanol production and primary steel production) is more challenging. These sectors and industries are significant employers and drivers of economic performance. Substantially reducing emissions from these sectors is either very costly or requires solutions that are in the early stages of technological development and not ready for deployment (including aviation, shipping, heavy road transport). As climate policies (include carbon pricing) and consumer preferences take increasing effect, hard-to-abate firms are increasingly seeking Government support, and/or regulatory changes to help them decarbonise.

### ERP2 sets out the Government's approach to enabling market-led energy investment to support lower emissions

115. A secure and affordable supply of energy is a central part of the Government's approach to reducing emissions. Ensuring the right market settings will enable the private sector to invest and consumers to take advantage of innovations.

116. The ETS encourages emissions reductions in the energy sector since the emissions price flows through into the price of energy sources that create emissions when they are produced or used, such as electricity, gas, diesel, petrol and coal. The ETS is the Government's key tool to reduce net emissions in the energy sector. It plays a foundational role for some industries (such as low and medium temperature process heat users) in shaping investment decisions.

117. ERP2 outlines four key energy actions to complement the ETS:

- delivering Electrify NZ to help achieve our goal of doubling renewable energy
- enabling energy efficiency and a smarter electricity system
- enabling carbon capture, utilisation and storage (outlined elsewhere in this brief)

- enabling woody bioenergy (see below).

*Hydrogen Action Plan*

118. Hydrogen can reduce emissions in hard-to-abate sectors of New Zealand's economy such as heavy transport and heavy industry. The Government released the Hydrogen Action Plan in December 2024, which outlines the actions the Government is taking to enable private investment into the hydrogen sector. The Hydrogen Action Plan sets out four key priorities:
    - creating an enabling regulatory environment;
    - reducing barriers for consenting projects;
    - promoting a cost-effective and market-led transition to a low-emissions economy; and
    - supporting access to international investments and markets.
119. We are working with WorkSafe on updating the gas and electricity safety regulations to remove regulatory barriers, which is MBIE's key action under the plan. Confidential advice to Government
120. In your capacity as Minister of Climate Change, you had established a Hydrogen Industry Leadership Group with the then-Minister for Energy. Ministers signalled that meetings would be held quarterly, with the next meeting to be held in early 2025.

*Woody bioenergy Taskforce*

121. As part of the ERP2 action to enable woody bioenergy, Ministers agreed to establish a domestic ministerial woody bioenergy taskforce. The taskforce will take an economy wide approach to unlocking opportunities within this market, including investigating regulatory barriers to woody biomass uptake for bioenergy. We would welcome an early conversation with you on the taskforce objectives and how this can support energy security.

## Fuel markets need ongoing oversight to ensure they operate effectively to support the economy

122. Having a secure and resilient supply of engine fuels is critical to our economy. Oil-based liquid fuels – petrol, diesel, and jet fuels – are our largest source of transport energy. As we import almost all of our engine fuels, a significant and sustained supply disruption of our engine fuels would cripple industry and cause significant hardship to New Zealanders.
123. We depend on our fuel industry to maintain our fuel security and resilience. However, companies have commercial motivations that drive the prices they charge at the pump, the amount of fuel stocks they hold and the investments they make in fuel infrastructure and contingency arrangements. The Government therefore has a role to consider whether there are appropriate levels of competition, fuel stockholding and investment.

### New fuels and technologies will create opportunities to reduce risk and spur new economic activity

124. In addition to supporting the ongoing international competitiveness of our existing economy, there are opportunities to diversify our transport fuels, which can improve our fuel security and in future could attract new economic activity. Continuing to electrify our light vehicle fleet will reduce our dependence on imported fuel and there are options to increase the production and uptake of renewable liquid fuels, including sustainable aviation and marine fuels.

### The Associate Minister for Energy has been delegated certain matters related to fuel

125. Hon Shane Jones is Associate Energy Minister and is currently delegated responsibility for all matters related to engine fuel security, specifications, and infrastructure. This includes:

- leadership on policy, legislation, regulations and rules governing the import, refining, storage and distribution of engine fuels

Confidential advice to Government

## Some New Zealanders and businesses are finding energy unaffordable

127. Even with efficient and competitive electricity markets and new technologies, some New Zealanders and businesses are finding it difficult to afford adequate energy services. Estimates of the number of households experiencing energy hardship vary. ConsumerNZ recently put the figure at 360,000 households, a figure leading energy hardship experts and academics agree with.

128. Electricity and fuel prices are contributing to this problem, although they are not the leading cause. The drivers are complex, societal, and span the remits of multiple portfolios. For example, poor quality housing is a significant driver of high household energy bills, yet responsibility for housing quality sits outside the energy portfolio.

129. A key driver of prices increases for electricity consumers will be the required investment in electricity network infrastructure. Household electricity bills are expected to increase from April 2025 by about $10 a month, on average. This investment is required to replace aging infrastructure, to meet increased demand and to strength network resilience to extreme weather events. The Commerce Commission, which has a role of regulating the amount of revenue Transpower and most electricity distribution businesses can earn, has reviewed the proposed investment plans to limit any bill increases to consumers. If this investment were to be delayed, it could result in higher prices down the line and a less reliable network.

130. Affordability will likely become a bigger issue as the economy electrifies and as energy costs rise in the short to medium term. People on lower incomes will also be least able to afford or access finance for the technological innovations (electric vehicles, home solar generation) that could help offset these rising costs.

131. The options to reduce overall electricity prices are generally to either increase supply or decrease demand. The range of actions mentioned above are supporting new supply and enabling options for consumers to decrease demand.

132. Increasing energy efficiency and addressing affordability are important for a range of economic and social factors. For example, people who can't afford to heat their homes are likely to have worse health outcomes (e.g. respiratory diseases). This has flow-on effects such as reduced economic and educational opportunities and increased pressure on the health system. Some energy portfolio programmes, like the insultation programme run by the Energy Efficiency and Conservation Authority (EECA), Warmer Kiwi Homes, and the Support for Energy Education in Communities programme have a strong positive cost benefit ratio due to the high value of avoided illness and hospital visits.

133. You have responsibility for a range of initiatives that support energy efficiency and affordability – including some EECA-led programmes like Warmer Kiwi Homes and MBIE's energy education and community energy programmes. The administration of two MBIE energy funds are transferring from within MBIE to EECA on 3 February 2025 – the Community Renewable Energy Fund and the Support for Energy Education in Communities programme – to achieve efficiencies and greater alignment with EECA's existing funding programmes.

*Phase out of the Low Fixed Charge (LFC) Regulations*

134. The LFC regulations, which require distributors and retailers to have plans with a fixed component for households that use low amounts of electricity, are being phased out over five years ending in 2027. The decision to remove the LFC regulations was made in 2021 following recommendations from independent experts in the Electricity Price Review. While these regulations lowered costs for some households, they were poorly targeted at helping households struggling to pay their power bills as they introduced a cross subsidy which was paid for by larger, and often lower-income, households. A key benefit of removing the LFC regulations was that it would enable greater innovation, which could reduce costs for all consumers.

135. It was acknowledged in 2021 that some consumers (those with very low electricity use) would experience a bill increase due to the phase-out. To support households which may have experienced bill increases, a $5 million industry-funded initiative, the 'Power Credits Scheme', was put in place. Additionally, as there was some uncertainty over how the industry would choose to structure its pricing plans during the phase-out, it was agreed there should be a mid-point review.

Confidential advice to Government

## Participants in the energy sector want clear direction

137. In your role as Minister for Energy we recommend you take a long-term view. This will involve making decisions in the face of a range of uncertainties, including the pace of demand increases, new technologies and future commercial decision-making.

138. The sector argues a lack of regulatory certainty can hamper investment decisions in the infrastructure we need to maintain energy security and reliability. The Government recently released the Electricity

Government Policy Statement that indicates how it sees the role of Government vs commercial actors and independent regulators.

Confidential advice to Government

## Māori have a strong interest in the portfolio and the Crown has specific obligations to iwi

140. The Crown, and MBIE, have obligations through the Treaty of Waitangi, Treaty settlements and Accords to include iwi in operational and policy processes in the energy system. This includes providing the opportunity to participate in early policy development. The Crown and MBIE also have obligations within the Public Service Act 2020, which explicitly recognises the role of the Public Service to support the Crown in its relationships with Māori under the Treaty of Waitangi. Specifically, MBIE has commitments with 54 Māori groups (mostly, iwi and hapū) that relate to the management of minerals and natural resources (under the Resources Portfolio), many of which also cover energy issues.

## Relevant links with other portfolios

141. Much of the work in your portfolio is shared responsibility with other ministers or has close interlinkages. The following table indicates where this is the case (based on officials current understanding).

| Workstream | Minister/Comment |
|---|---|
| RMA/National Direction | The RM Reform programme is led by the Minister Responsible for RM Reform, but you have joint ministerial decision-making for the energy-related national direction instruments and Resource Management Act energy consenting changes. |
| Supercharging EV Infrastructure | In April 2024 Cabinet agreed to the Supercharging EV Infrastructure work programme, which includes a number of measures across the Energy and Transport portfolios. Officials from MBIE, Ministry of Transport and EECA work together under a Taskforce to progress the various aspects of the programme. Discussions with the incoming Minister of Transport will be necessary to progress this work and determine responsibilities.<br><br>However, the current split of responsibilities for the key aspects of the work programme are as follows:<br><br>*Revise the Governments funding model for public EV charging:* the Ministry of Transport leads on policy development for the funding model, in collaboration with MBIE and EECA. You are responsible for EECA which is currently administering the funding.<br><br>*Improving safety and design standards for public EV chargers:* as mentioned earlier in this brief, there is work underway in your portfolio to update these standards.<br><br>*Making the installation of public EV chargers a permitted activity under the RMA:* Energy officials are leading this work in consultation with the Ministry for the Environment. The Minister for RM Reform retains overall responsibility for the national direction instruments under which this change will be implemented.<br><br>*Addressing high connection costs for public EV chargers:* The Electricity Authority is currently consulting on amendments to the electricity code to ensure that operators of public EV chargers face appropriate costs to connect to electricity distribution networks. This is a key issue raised by the EV charging industry.<br><br>*Addressing regulatory barriers to EV charging:* The work noted above to amend EECA's governing legislation will enable product standards to be set for smart EV chargers. |

Confidential advice to Government

| | |
|---|---|
| Consumer Data Right for Electricity | Minister of Commerce and Consumer Affairs leads, in close consultation with you as Minister for Energy. |
| Energy emissions in ERP2 | Minister of Climate Change leads, and the Minister for Energy is responsible for delivering key actions in the plan. |
| Electricity and Gas Safety Regulations | You have primary responsibility for regulations on electricity and gas safety, while the Minister for Workplace Relations and Safety holds primary responsibility for health and safety policy (including Worksafe NZ who enforces these regulations). Work to reform regulations in the hydrogen area will require you to engage with the Minister for Workplace Relations and Safety. |
| Regional Development Ministers Group and the RIF | The Minister of Regional Development is responsible for the Regional Infrastructure Fund. Energy is an identified priority for the fund, with opportunities to ensure the RIF investment supports energy policy priorities. |

# 5. Key industry participants

142. In this section we list the key sector participants you are likely to want to engage with. We will provide contact details separately to your office.

| **Public entities** | |
|---|---|
| Commerce Commission | Adrienne Meikle, Chief Executive |
| Electricity Authority | Anna Kominik, Chair<br>Sarah Gillies, Chief Executive |
| Energy Efficiency and Conservation Authority | Marcos Pelenur, Chief Executive |
| Gas Industry Company | Andrew Knight, Chief Executive |
| Transpower | John Clarke, Acting Chief Executive. James Kilty will take this role from 3 February 2025. |

| **Electricity** | |
|---|---|
| ***Gentailers*** | |
| Contact | Mike Fuge, Chief Executive |
| Genesis | Malcolm Johns, Chief Executive |
| Mercury | Stew Hamilton, Chief Executive |
| Meridian | Neal Barclay, Chief Executive. Mike Roan will take this role from June 2025. |
| ***Independent Generators*** | |
| Nova (major gas supplier and generator owned by Todd) | Babu Bahirathan, Chief Executive |
| Harmony (international wind & solar and battery developer) | Garth Elmes, Managing Director |
| Lodestone (independent solar generator) | Gary Holden, Managing Director |
| Helios (independent solar generator) | Jeff Schlichting, Managing Director and Co-Founder |
| ***Independent Retailers*** | |
| Octopus | Margaret Cooney, Chief Operating Officer |
| Flick | James Leslie, Chief Financial Officer |
| Electric Kiwi | Rod Snodgrass, Managing Director and Co-Founder |
| ***Electricity Distribution Networks*** | |
| Vector | Simon McKenzie, Chief Executive |
| PowerCo | Chris Taylor, Acting Chief Executive |
| Orion | Nigel Barbour, Chief Executive |
| Wel Networks | Garth Dibley, Chief Executive |
| ***Major Electricity Users*** | |
| Rio Tinto | Jacob Staushom, Chief Executive |
| NZ Steel | Robin Davies, Chief Executive |
| Fonterra | Miles Hurrell, Chief Executive |
| ***Advocacy organisations and industry bodies*** | |
| Electricity Retailers Association NZ (ERANZ, industry body for the gentailers retail arms) | Bridget Abernathy, Chief Executive |
| Independent Electricity Generators Association (IEGA) | Warren McNab, Chairperson |
| Electricity Networks Association (ENA) | Tracey Kai, Chief Executive |

| | |
|---|---|
| Solar Energy Association of New Zealand (SEANZ, industry body for solar) | Brendan Winitana, Director and Chair |
| Consumer NZ | Jon Duffy, Chief Executive |
| Major Electricity Users Group (MEUG) | Karen Boyes, Executive Director |
| Rewiring Aotearoa | Mike Casey, Chief Executive |
| New Zealand Geothermal Association | Kennie Tsui, Chief Executive |
| GasNZ | Jeffrey Clarke, Chief Executive |

| **Gas** | |
|---|---|
| OMV | Kevan Goulet, General Manager |
| Todd Group | Evan Davies, Chief Executive |
| Todd Energy | Mark MacFarlane, Chief Executive |
| Greymouth Petroleum | Mark Dunphy, Chief Executive |
| Beach Energy | Matt Quinn, Country Manager |
| Methanex | Stuart McCall, Managing Director |
| Clarus | Paul Goodeve, Chief Executive |

| **Fuel** | |
|---|---|
| Z Energy | Lindis Jones, Chief Executive |
| Mobil | Wayne Ellary, Chairman & Group CEO |
| BP | Haley Mahoney, Head of Country |
| Channel Infrastructure | Rob Buchanan, Chief Executive |

| **Hydrogen** | |
|---|---|
| New Zealand Hydrogen Council | Dr Linda Wright, Chief Executive |
| Hiringa Energy | Andrew Clennett, Chief Executive |
| Fabrum Energy | Christopher Boyle, Chairman and Co-Founder |

| **Offshore Renewable Energy** | |
|---|---|
| New Zealand Wind Energy Association | Kevin Hart, Chief Executive |
| Copenhagen Offshore Partners | Giacomo Caleffi, Business Development Manager |
| Parkwind | Peter Spencer, Country Manager |

# 6. Portfolio responsibilities

## Legislation within your portfolio responsibilities

143. The key legislation you are responsible for is listed below with a description of your functions, duties and powers under each.

### Electricity Industry Act 2010

144. The Electricity Industry Act 2010 provides a framework for the regulation and governance of the electricity industry. It sets out the Electricity Authority's functions, objectives and monitoring and enforcement powers, and provides for the Electricity Industry Participation Code, which are the industry "rules", created as secondary legislation.

145. The Act also sets out requirements relating to the separation of distribution and certain generation and retail activities, places an obligation on distributors to maintain supply in certain circumstances, and contains a range of regulation-making powers. The Act provides for the industry consumer dispute resolution scheme, but the Minister of Commerce and Consumer Affairs is responsible for these provisions.

146. Your key responsibilities under the Act are:

- recommending regulations on enforcement of the Code, the industry levy, and the fair treatment of domestic and small business consumers, and
- recommending appointments to the Electricity Authority and the Electricity Rulings Panel.

147. You may also directly amend the Code in specific predefined areas concerning market operations where you believe the current Code provisions are not satisfactory and the amendment will further the Authority's objectives.

### Electricity Act 1992

148. The Electricity Act 1992 deals with operational matters, setting out the regulatory framework for the supply and use of electricity. Wide-ranging regulation-making powers for electrical safety (including for the purposes of public health and safety and prevention of property damage) are contained in the Act. The Act:

- confers powers and duties on electricity operators and other owners of electricity works
- provides for the registration and licensing of electrical workers and the administration of the Electrical Workers Registration Board, and
- sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of electricity.

149. Your key responsibilities under this Act are:

- recommending regulations on electrical safety
- granting electricity operator status to electricity distributors or generators, which confers land access powers in relation to roads and rail crossings, as well as placing responsibilities on them, and
- approving Electrical Codes of Practice which are developed by WorkSafe New Zealand.

150. This Act intersects with the following portfolios:

- Workplace Relations and Safety, which covers the administration of the work health, and safety and WorkSafe New Zealand.

- Building and Construction, in relation to the occupational regulation of electrical workers. Under the previous government the Minister of Building and Construction was formally assigned responsibility for parts relating to registration of electrical workers.

## Energy Efficiency and Conservation Act 2000

151. The Energy Efficiency and Conservation Act 2000 established EECA, and forms the legislative basis for promoting energy efficiency, energy conservation and renewable energy. As noted above, this Act is being amended to enable regulation for demand flexibility in energy using products.

152. It includes regulation-making powers for product energy efficiency standards and labelling, as well as the disclosure of information allowing for the compilation of statistics on energy efficiency, energy conservation and renewable energy.

153. Your key responsibilities under this Act are:

- ensuring that there is a National Energy Efficiency Strategy that is developed according to the requirements in the Act, currently the New Zealand Energy Efficiency and Conservation Strategy 2017-2022
- recommending regulations on minimum energy performance standards and labelling for energy-using products and services (including vehicles) and on data collection, and
- appointing the EECA Board.

## Fuel Industry Act 2020

154. The Fuel Industry Act 2020 establishes:

- a terminal gate pricing regime to improve competition in the wholesale market by making it easier for a fuel reseller to access fuel that is priced more competitively
- rules to ensure contracts between wholesale fuel suppliers and their wholesale customers are fair and support competition
- a dispute resolution scheme for the regime
- improvements to the monitoring of the fuel market by requiring fuel companies to collect and disclose certain information, and
- requirements for retail fuel sites to display prices on forecourt price boards
- a minimum stockholding obligation on fuel importers.

155. The Act gives you and the Commerce Commission and the power to initiate an inquiry into terminal gate prices. If prices are found to be inconsistent with what would be expected in a competitive market, you can recommend regulations to set prices at the terminal gate with the recommendation of the Commerce Commission.

156. The Fuel Industry Act also introduced a minimum stockholding obligation on fuel importers. From 1 January 2025, fuel importers must hold 28 days' cover for petrol, 24 days' cover for jet fuel and 21 days' cover for diesel. The Associate Minister of Energy is currently delegated responsibility for the minimum stockholding obligation.

### Gas Act 1992

157. The Gas Act 1992 sets out the regulatory framework for the supply and use of gas. It:

- confers powers and duties on gas operators and other owners of gas fittings
- provides for the governance of the gas industry, including providing for co-regulation with a gas industry body, currently the Gas Industry Company
- sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of gas.

158. The Gas Act contains wide-ranging regulation-making powers for gas safety (including for the purposes of public health and safety and prevention of property damage), quality and measurement, as well as industry governance.

159. The relevant Minister's key responsibilities under Gas Act are:

- recommending gas safety regulations, market governance and operation, enforcement, the industry levy, and certain consumer issues
- recommending approval of the industry co-regulator, currently the Gas Industry Company, and appointing the Gas Rulings Panel
- accepting or rejecting Gas Industry Company recommendations to change industry rules
- granting gas operator status to gas distributors by Gazette notice, which confers land access powers in relation to roads and rail crossings, as well as imposing responsibilities on them and
- approving Gas Codes of Practice which are developed by WorkSafe New Zealand.

160. The Gas (Safety and Measurement) Regulations 2010 are made under the Gas Act and incorporate numerous standards.

161. The Gas Act also intersects with the Workplace Relations and Safety portfolio, which covers the administration of work health and safety and WorkSafe New Zealand.

### Other legislation

162. Legislation administered by other portfolios is also relevant, including the Commerce Act 1986 which prohibits certain conduct and business arrangements that restrict competition. Part 4 of that Act regulates electricity lines businesses. Other relevant statutes are the Fair Trading Act 1986, Consumer Guarantees Act 1993 and Resource Management Act 1991.

## Crown Entities and Statutory Bodies

163. You have a role to oversee and manage the Crown's interests in and relationship with the two Crown entities and three statutory bodies described in this section. This includes ensuring an effective board is in place, participating in setting the entities' strategic direction and funding, and reviewing the entities' performance and management of risk.

164. The expectation is that all parties will adhere to the "no surprises" convention. While these entities are managed at arms-length from government, as Minister you have a number of levers to ensure you can get the performance you want.

165. You are responsible for one Independent Crown entity, the Electricity Authority (EA), and one Crown agent, the Energy Efficiency and Conservation Authority (EECA). The key difference between the two is your ability to provide direction to EECA, and its obligation to give effect to Government policy relating to its functions and objectives if directed by you.

## Electricity Authority

166. The EA is an independent Crown entity established under the Electricity Industry Act 2010, and is responsible for regulating the electricity market. As an independent Crown entity it is generally independent of government policy, however you have the ability to engage in the process of setting strategic direction and performance expectations.

167. The statutory objective of the EA is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The additional objective of the Authority is to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

168. The EA's main functions include:

- making and administering the rules governing the electricity industry through an Electricity Industry Participation Code
- monitoring compliance with the Code and other provisions in the Electricity Industry Act 2010 and regulations, and investigating and taking enforcement action
- undertaking market facilitation measures such as education and providing guidelines, information and model arrangements
- industry and market monitoring, and carrying out and make publicly available reviews, studies and inquiries into matters relating to the industry
- contracting for market operation services and system operator services, and
- undertaking measures aimed at protecting the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

## Energy Efficiency and Conservation Authority

169. EECA is a Crown Entity established under the Energy Efficiency and Conservation Act 2000. It is required to encourage, promote and support energy efficiency, energy conservation and the use of renewable sources of energy.

170. EECA's work programme is guided by the New Zealand Energy Efficiency and Conservation Strategy 2017-2022, and assigned to it under that strategy. EECA also works closely with other government agencies to help them design, implement and monitor policies to promote energy efficiency and make better use of New Zealand's abundant renewable energy resources. As a Crown agent, EECA must give effect to government policy when directed by you as responsible Minister.

171. Current Board members (appointed by you are) are: Elena Trout (Chair), Daniel Tulloch, Judith (Judi) Jones, Andrew Knight, Christopher Boyle, John Carnegie and Vijay Goel. Dr Marcos Pelenur is the Chief Executive.

### Gas Industry Company

172. The GIC is the private industry body that co-regulates the gas industry with the Government under the Gas Act 1992. Under the Gas Act, the GIC has the power to recommend certain gas governance regulations to the relevant Minister who has the power to accept or reject those recommendations.

173. Current directors on the GIC board (appointed by industry) are: Hon Amy Adams, Andrew Brown, Sam Elder, Babu Bahirathan, Mike Fuge and Paul Goodeve. The Chief Executive is Andrew Knight.

### Electricity Rulings Panel

174. The Electricity Rulings Panel is a specialist dispute resolution and disciplinary body that determines complaints of breaches of the Electricity Industry Participation Code 2010 by industry participants, as referred to it by the EA. It also determines certain disputes between participants and hears appeals on specific decisions by the System Operator (Transpower).

175. The panel is appointed by the Governor-General on your recommendation. Before making a recommendation, you must first consult with the Minister of Justice and the EA.

176. Current members are Mel Orange (Chair), Matthew Dunning and Paul Webber and Lee Wilson. MBIE has recently undertaken interviews for the vacancy on the panel and will provide you with advice on preferred candidates shortly.

### Gas Rulings Panel

177. The Gas Rulings Panel is the final arbiter of disputes arising from activities under gas governance rules and regulations. The Panel will approve or reject settlements recommended following investigation, determine unresolved matters and make orders, including remedies and penalties. The Panel is appointed by the relevant Minister following nomination by the Gas Industry Company. The current panel is Miriam Dean CNZM KC.

## Related Crown entities and state-owned enterprises

### WorkSafe New Zealand – Energy safety

178. Energy safety falls within the energy and resource portfolio. WorkSafe New Zealand is the regulator of energy safety and has the function of monitoring and enforcing compliance with safety and other elements of electricity and gas legislation. This means electricity and gas safety issues are regulated slightly differently from other electricity and gas issues.

179. As the Minister for Workplace Relations and Safety has oversight of WorkSafe, this is an area of intersection between the Energy and Workplace Relations and Safety portfolios.

### Transpower

180. Transpower provides the infrastructure and operational systems that connect electricity generators to major electricity users and to distribution networks that deliver electricity to homes and businesses around the country.

181. Transpower serves as the National Grid owner (looking after the assets that keep the electricity flowing) and System Operator (managing how electricity gets from the point of generation to homes and businesses in real-time and in the future). Transpower is designated as the System Operator under the Electricity Industry Act 2010.

182. Transpower is a state-owned enterprise and is monitored by The Treasury.

## Funds and appropriations

### The Energy portfolio is funded under Vote Business, Science and Innovation

183. The diagram on the following page provides a high level illustration of the appropriations you are responsible for over 2024/25. The Crown entities and some other activities in this portfolio are funded by levies (indicated by a red outline in the diagram) or fees. As the portfolio Minister, you are responsible for the legislation mandating these levies and fees.

### Energy Markets policy function

184. In recent years MBIE has received time limited funding to undertake the significant volume of policy work relating to the transition of the energy system. This includes policy work on changes needed as we move to an expanded and highly renewable electricity system, to develop a regulatory regime to enable an offshore renewable energy regime and to develop an energy strategy to ensure that steps to lower emissions are coordinated and considered across the whole energy system. Most of the time-limited funding expires in 2025.

185. As set out in the introduction above, the changes underway in the Energy portfolio are unprecedented and create risks and opportunities. The overall complexity and risks of the transition mean there will be more active policy work needed on an ongoing basis – relative to the past two decades when the sector has been in a steady-state. There will be new areas emerging that require policy direction (for example, the regulation of CCUS and consideration of the treatment of new technologies).

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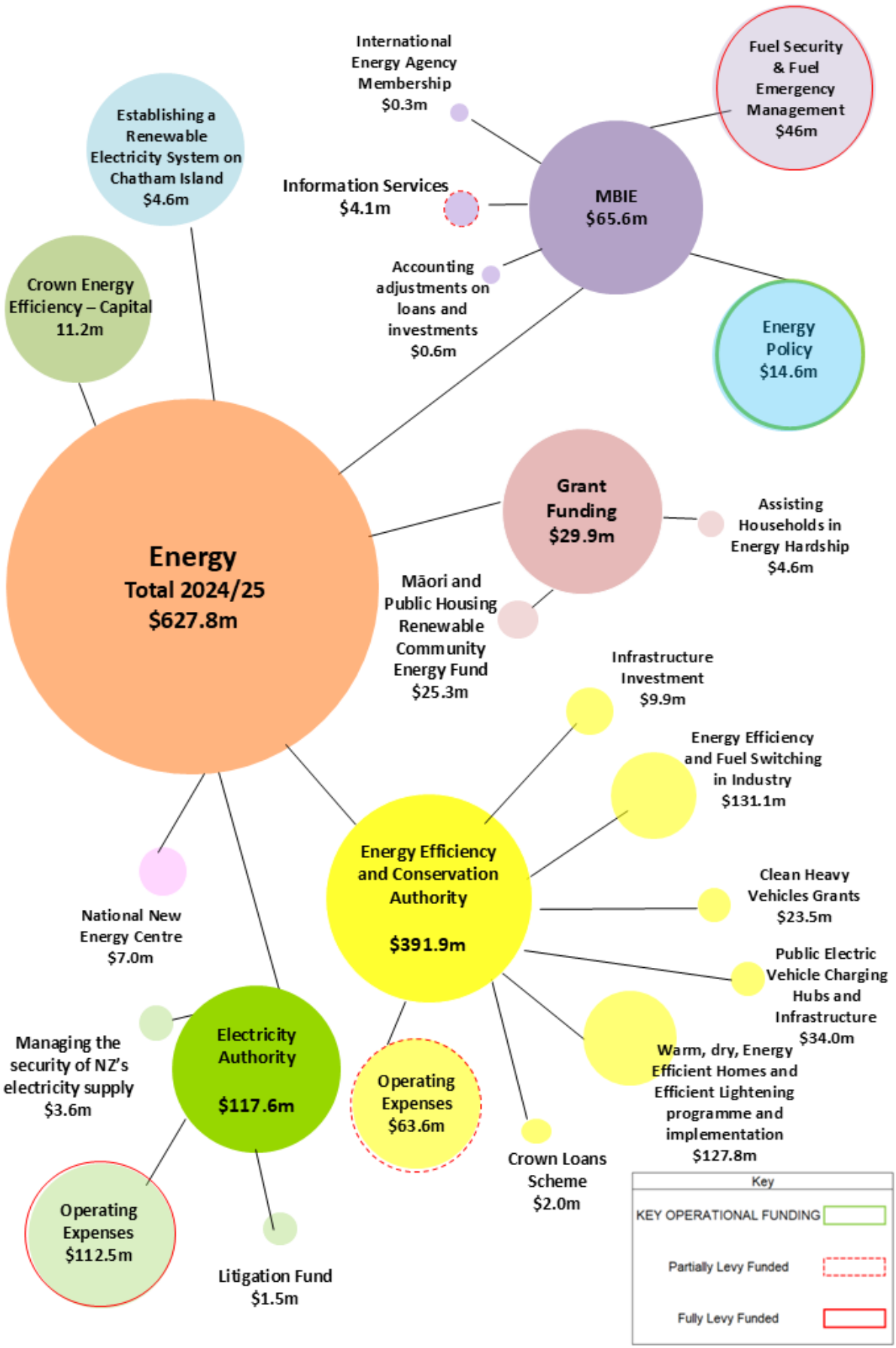
International Energy Agency Membership $0.3m
Fuel Security & Fuel Emergency Management $46m
Establishing a Renewable Electricity System on Chatham Island $4.6m
Information Services $4.1m
MBIE $65.6m
Crown Energy Efficiency – Capital 11.2m
Accounting adjustments on loans and investments $0.6m
Energy Policy $14.6m
Energy Total 2024/25 $627.8m
Grant Funding $29.9m
Assisting Households in Energy Hardship $4.6m
Māori and Public Housing Renewable Community Energy Fund $25.3m
Infrastructure Investment $9.9m
Energy Efficiency and Fuel Switching in Industry $131.1m
Energy Efficiency and Conservation Authority $391.9m
Clean Heavy Vehicles Grants $23.5m
Public Electric Vehicle Charging Hubs and Infrastructure $34.0m
National New Energy Centre $7.0m
Managing the security of NZ's electricity supply $3.6m
Electricity Authority $117.6m
Operating Expenses $63.6m
Warm, dry, Energy Efficient Homes and Efficient Lightening programme and implementation $127.8m
Crown Loans Scheme $2.0m
Operating Expenses $112.5m
Litigation Fund $1.5m
Key
KEY OPERATIONAL FUNDING
Partially Levy Funded
Fully Levy Funded

# 7. How MBIE assists you

187. MBIE provides a range of support and advice to you in your role as the Minister for Energy. This includes but is not limited to:

- energy policy advice
- advice to assist you in fulfilling your legislative responsibilities under the Acts in your portfolio
- management of appropriations within Vote Business, Science and Innovation, including the planning and prioritisation of funding, and supporting you in the annual Estimates Hearings
- Crown entity ownership and monitoring including commenting on draft statutory planning documents, developing and communicating the Government's ownership priorities and objectives for the Electricity Authority, EECA and other entities in your purview, and
- supporting you in your wider Ministerial functions including advice, event briefings and speeches, Ministerial correspondence and international treaty relationships and meetings (information about key international energy relationships and agreements is in Annex 4).

188. The following groups of MBIE play specific roles in the portfolio.

### Energy Markets Branch

189. The Energy Markets Branch (EM) sits within the Building and Resource Markets Group in MBIE. We monitor and advise on the performance of New Zealand's energy markets, and we work to ensure that New Zealanders have access to secure, affordable and sustainable energy and resources to support people and the economy.

190. A focus of the EM branch in recent years has been continual progress towards best practice regulatory stewardship. The Council of Energy Regulators (the Council) comprises MBIE (Chair), the Electricity Authority, the Energy Efficiency and Conservation Authority, the Gas Industry Company, and the Commerce Commission. The Council facilitates a uniquely whole-of-system approach to risks, issues and opportunities within the energy markets regulatory system. This collectively enables its members to meet the Government's Expectations for Good Regulatory Practice as they relate to the regulatory system. The Council convenes on a quarterly basis to coordinate and collaborate on their activities and those of other actors in the system; proactively monitor emerging risks (both within and outside of government); and exchange information on each other's work programmes.

### Entity Performance and Investment Branch

191. The Entity Performance and Investment branch in the MBIE Labour, Science and Enterprise Group monitors the financial and non-financial performance of the two Crown entities within your portfolio – the Electricity Authority and the Energy Efficiency and Conservation Authority. The Crown Entities Act 2004 provides a framework for Crown entity governance and accountability, including responsibilities of board members, and the roles of Ministers in relation to appointing and removing board members, participating in setting strategic direction, performance expectations and monitoring entity performance.

192. Monitoring of these entities includes advising Ministers on board appointments and key accountability processes of:

- ensuring that an effective board is in place to govern the entities

- participating in setting the direction of the entity, and
- monitoring and reviewing performance.

193. As the responsible Minister you will be asked to:

- make decisions on potential reappointments and new appointments to the entities Boards.

194. We will provide you with advice on these processes in the coming months.

195. Overarching governance and monitoring arrangements are outlined in MBIE's Monitoring Arrangements for MBIE-monitored Crown entities: Monitoring arrangements for MBIE-monitored Crown entities.

# Organisational leadership and structure

## Key MBIE officials

196. The table below sets out the key MBIE officials who will support you in this portfolio.

| Contact | Role | Contact details |
|---|---|---|
| **Carolyn Tremain**  | Secretary for Business, Innovation and Employment | Privacy of natural persons |
| **Paul Stocks**  | Deputy Secretary, Building, Resources and Markets<br><br>BRM leads policy development to ensure a fair, competitive business environment and well-functioning telecommunications, building and construction, small business, manufacturing, and resources sectors and operations. BRM oversees many of the regulatory systems that govern Aotearoa New Zealand's markets: commerce and consumer affairs; energy markets; minerals and petroleum; energy efficiency; communications; and building performance. | Privacy of natural persons |
| **Justine Cannon**  | General Manager, Energy Markets<br><br>The Energy Markets Branch (EM) sits within the Building and Resource Markets Group in MBIE. We monitor and advise on the performance of New Zealand's energy and resource markets, and we work to ensure that New Zealanders have access to secure, affordable and sustainable energy and resources to support people and the economy. | Privacy of natural persons |
| **Michael Bird**  | General Manager, Entity Performance and Investment<br><br>Board appointments and governance (covering all statutory boards in Annex Two). | Privacy of natural persons |

# 8. Matters requiring immediate attention

197. We will provide you with a more detailed list of upcoming briefings, major policy decisions requiring consideration, and intended cabinet/legislative processes next week.

198. Over the next two weeks, matters requiring your immediate attention are as follows:

| | |
|---|---|
| **Review of Electricity Market Performance** | A meeting has been scheduled for you and Minister Jones with the Lead Reviewer, Frontier Economics, at 3:30pm, Tuesday 28 January. This meeting will provide an early opportunity for Ministers to engage with key members of the Lead Reviewer team, and provide guidance on any particular areas Ministers wish the Review to focus on.<br><br>We will provide you with an event briefing for this meeting, including further background on this Review, and more detailed timing steps. |

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# Annex One: Other relevant legislation

Key legislation is set out in Section 3. Other relevant legislation to your portfolio is set out below.

**Atomic Energy Act 1945:** sets out the regulatory framework for the means of producing atomic energy in New Zealand, including the mining of uranium and other substances that may be used for the production of atomic energy.

**Energy Companies Act 1992:** provided for the formation of energy companies, the vesting in such companies of the undertakings of electric power boards and the electricity and gas undertakings of local authorities, and the dissolution of electric power boards. Most provisions are spent but some relating to corporate governance remain active.

**Energy (Fuels, Levies and References) Act 1989:** provides for the regulation of engine fuel quality and the recovery of costs through levies for activities undertaken by the Crown in relation to electricity, gas and engine fuels. This includes safety activities, EECA's activities, and the cost of meeting international oil stocks obligations.

**Lake Taupo Compensation Claims Act 1947:** relates to agreements about the control of the Waikato River for the purposes of flood control and electricity generation. The Act sets a maximum working level for Lake Taupō, alterable by Gazette notice, and provides the basis on which compensation will be assessed for any claims in relation to the control of the lake level.

**Manapouri – Te Anau Development Act 1963:** enables you to notify by Gazette notice the operating guidelines for the levels of the two lakes, which are recommended by the Guardians of Lakes Manapouri and Te Anau (appointed by the Minister of Conservation).