



Fact Sheet: Leveraging Government Energy Demand

- Energy sector investors and participants have told the Government that long term supply contracts for government energy could support increased investment in new energy supply.
- In response, the Government is releasing a Request for Information to understand how leveraging government demand could help, what sorts of contracts would be helpful for different types of projects, and which projects might have the most impact.

The Request for Information

- The Request for Information (RFI) seeks to understand how Government's purchase of energy can help grow energy generation or non-transport fuel supply, in New Zealand.
- We would like the sector to tell us how Government can support new energy projects, and what the sector sees as useful, in a partnership with government.
- This RFI will be open for 6 weeks.
- This RFI is intended to inform future approaches to market (such as a formal Request for Proposal (RFP), dependent on what we learn through the RFI process).

The Government's energy demand

- Government largely purchases electricity and gas using All-of-Government (AoG) contracts, which allow agencies to buy common goods and services together, saving money and making purchasing easier.
- Reticulated Gas for the North Island is largely purchased by agencies through a AoG contract.
 - The annual gas volume used is around 1.9 PJ, about 1.6 percent of the New Zealand gas market.
 - The supply of reticulated gas to around 90 participating agencies is used for delivery of essential public services such as hospitals, prisons, defence establishments, council facilities and schools.
- Electricity is largely purchased by agencies through multiple providers within the AoG panel contract.
 - Electricity consumed is around 1200 GWh annually, which is around 2-4 percent of the New Zealand electricity market.
 - Around 800 agencies participate in this contract including around 500 schools.
- We are interested in potential solutions to complement or succeed the existing AoG contracts that currently exist

How Government energy use can support new projects

- When a developer is sourcing investment for a new project, they need to be able to show how the project will make a return for investors or lenders. Based on that, investors choose to invest. For riskier projects, they will seek a higher return or set a higher interest rate.



- Where a developer can provide certainty of revenue for a long period through long-term purchase agreements, this will reduce the finance costs of the project and/or make it easier to attract investment.
- As Government has a high credit rating and is able to commit to long term purchase arrangements (5-10 years or more), a long term purchase arrangement for (a share of) the power generated provides strong backing for new project.
- This approach has been used in other countries, including the UK. The UK Government's Crown Commercial Service brings together government customers and enters into long-term agreements with energy providers. These agreements offer fixed long-term pricing (5-15 years) and support the build of new assets.

All technologies, fuels, and scale options are in scope

- Government is interested in understanding how its purchasing power could support a wide range of new energy investment activity.
- The full range of scale of project is in scope, including grid-scale, locational supply, and/or site-specific projects. We are also interested in repeatable projects where a technology can be deployed across multiple sites.
- A wide range of technologies or solutions is in scope including, but not limited to wind, solar (rooftop through to grid scale), battery, geothermal, biogas, woody biomass, and traditional hydrocarbon-fuelled thermal power generation solutions.
- Lead time for projects is flexible, as government has existing supply arrangements. We are interested in both near term delivery, as well as projects at early stages of development (up to 10 years to delivery).

Understanding the commercial options

- The Government is also seeking information about the commercial models that deliver security of supply, resilience, and demand management, including sleeving and energy efficiency components. This could include greentech and fintech innovations.
- We are also interested in what contractual settings would be useful for projects (duration, volume, etc)
- We are interested in potential solutions to complement or succeed the existing AoG contracts that currently exist.