

13 February 2025

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WELLINGTON

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## **Submission on Capital Markets Reform: Enabling KiwiSaver Investment in Unlisted Assets**

### **Introduction**

This is an important and timely consultation into a very real issue that is preventing funds from flowing into innovative businesses and operations that are strategically important to the future of the New Zealand economy.

Current policy settings are also disadvantaging individual KiwiSaver investors from accessing potentially higher-returning investment opportunities.

Lodestone generally agrees with the problem definition and the scale of potential opportunity of reform as set out in this discussion document. We welcome the commitment to consultation with KiwiSaver providers on the proposed reform and to moving from understanding of a well-known problem, to taking action.

### **Lodestone Energy**

Lodestone is New Zealand's leading utility-scale solar generation company. It was founded in 2019 to help the national effort to decarbonise the energy sector. Lodestone Energy is building its capital program to contribute a substantial amount of solar production to the NZ electricity market and to be the leader in providing solar-based energy contracts to customers.

Lodestone has four utility-scale solar farms operating or under construction in Northland, the Bay of Plenty and the Coromandel. Further sites in Dargaville, Manawatu and Canterbury are expected to commence in 2025.

### **Access to capital**

New Zealand is on the cusp of a profound energy transformation in which consumers will increasingly benefit from the lowest cost energy sources. The electricity market has been sending very clear signals that the time has arrived for sustained investment in new renewable generation, battery storage, and transmission and electricity distribution.

This investment is taking shape with a wide of range of new-entrant, unlisted, developers now beginning to enter the market, increasingly competing with established, listed, generator-retailers.

The economics of high-quality renewable developments clearly stack up and can provide attractive investment returns over a long-term. They also directly enable New Zealand to meet its international climate change commitments and to decarbonise its economy.

Lodestone has raised over \$500 million in capital, and is actively raising more to fund its development pipeline. While Lodestone has a number of managed funds on its shareholder register, we consider that there is significant potential for much higher rates of investment from funds that include KiwiSaver providers to flow into unlisted entities through capital markets reform in this area.

Lodestone strongly supports the intent of this consultation, as we agree that it is unduly difficult and challenging for KiwiSaver providers to invest in unlisted companies, for the reasons set out in the discussion document.

Lodestone will leave detailed discussion around preferred valuation methodologies and liquidity risk management techniques to KiwiSaver providers, but notes that reform in this area is tightly aligned with cross-party policy priorities around deepening capital markets, access to capital, enhancing competition, and harnessing the power of KiwiSaver funds under management to meet domestic infrastructure needs.

### **Conclusion**

Policy supporting and facilitating transparent investment in unlisted entities from KiwiSaver providers can deliver myriad benefits: accelerating the country's economic growth, beginning to claw back the country's infrastructure deficit, decarbonising the economy and delivering a more secure, lower cost energy system.

The power of this reform combined with the current review of the Overseas Investment Act could deliver significant benefits for New Zealand.

After nearly 20 years of operation and with \$110 billion of funds under management, New Zealand's KiwiSaver scheme is mature and ready for this reform.

Sensible, commercial investments in high-quality, well-governed, unlisted companies could also help drive higher returns to retail investors that currently can't access these opportunities.

We provide these brief comments as an unlisted entity that has successfully raised investor capital but that could benefit from this kind of reform. We are happy to discuss these comments and for this submission to be published.

Warm regards.



Gary Holden  
Managing Director