Energy Outlook 2025

August 2025

Contents

SIMPSON GRIERSON

Welcome to the August 2025 edition of our Energy Outlook.

Like many areas of the New Zealand economy, the energy sector is undergoing significant transformation. The Government has sought to accelerate and enable the development of critical energy projects (both renewable and non-renewable) as it looks to unlock investment and grow the New Zealand economy. Its overarching goals for energy are to increase competition in the energy sector, increase energy generation (including by doubling renewable energy generation by 2050) and increase security of our energy supply.

The Government is sending strong signals that New Zealand is "open for business" with its changes to the Overseas Investment regime, which should significantly reduce time, cost, and uncertainty for certain types of renewable energy projects. The question is, are we moving fast enough?

In June, Transpower released its latest Security of Supply assessment which showed that the national energy margin (whether generation will match expected demand in a long dry winter) is at risk of dropping below the security standard in 2026. The renewable energy pipeline looks hopeful, but much of the planned new generation is solar and wind, which will increase demand for firming (ie generation that does not depend on weather conditions in the short term and can respond quickly). Genesis Energy, Mercury, Meridian, and Contact have just signed a detailed non-binding term sheet to establish a strategic energy reserve centred on Huntly Power Station to boost national security of supply and avoid a repeat of 2024’s market conditions. They have applied to the Commerce Commission for authorisation for the arrangement. The Commerce Commission has released a statement of preliminary issues and submissions close on 27 August.

Last winter’s energy crisis exposed real vulnerabilities in our system, with our reliance on rain to fill the hydro lakes being a significant concern. A ministerial review is underway into the performance of the electricity market and with ‘all options on the table’ to bridge the energy gap as the Government seeks to stabilise the sector and support future resilience.

In this edition of Simpson Grierson’s Energy Outlook, we look at how legislative and regulatory changes are progressing and how they may impact investment and development across the sector.

We hope that you find this Energy Outlook informative. Please feel free to contact us if you would like to discuss any particular development or the New Zealand energy sector generally.

Ngā mihi,

Simon Vannini
Partner

Edward Norman
Partner

New Zealand’s regulatory settings for energy investment

Energy regulatory and policy changes have been coming thick and fast this year. The Government is pursuing a dual approach to accelerate energy development: reducing regulatory barriers to new energy developments and actively encouraging domestic and international investment in the New Zealand energy system.

These priorities are closely linked. Like many countries, New Zealand is competing for global capital to fund its energy transition. While there is significant investment interest in the sector (both international and domestic), New Zealand’s relatively small project scale and geographic distance can be hurdles for investors weighing opportunities across the Asia-Pacific region.

Recognising that a stable and attractive regulatory environment is key to attracting investment, the Government is progressing a series of energy legislative and regulatory reforms, falling into three broad categories:

- **Consenting:** Streamlining timeframes for obtaining consent for renewable energy projects, and proposing amended national direction, giving developers and investors greater certainty around the process and likelihood of securing consent.
- **Expanding supply:** Legislation aimed at broadening New Zealand’s energy supply, including introducing a new offshore wind regime and overturning the ban on offshore oil and gas exploration.
- **Foreign investment:** Changes to the Overseas Investment Act 2005 to encourage international investment into New Zealand.

Alongside these reforms, the Electricity Authority and Commerce Commission’s joint Energy Competition Task Force is investigating initiatives aimed at encouraging investment in new generation and introducing more competition and responsiveness in the New Zealand electricity market.

In this Energy Outlook, we take a look at these ongoing and proposed regulatory and legislative reforms.

Consenting reform

Fast-track Approvals Act 2024 (Fast track Approvals Act)

It's nearly six months since the Fast-track Approvals Act process opened for project applications. The fast-track regime enables nationally and regionally significant infrastructure and development projects to apply for fast-track approval for a range of different consents and crown permits. The process consolidates applications across multiple acts into a single decision-making process with more development-friendly criteria than the tests under the standalone acts. Applications are considered by an independent panel.

Applications are expensive. Applications for eligibility require an initial payment of $18,700 plus GST, while substantive applications require an initial payment of $390,000 plus GST. Processing costs will likely exceed that figure. However, given the potential for the process to overcome delays and uncertainties that might otherwise face projects, the benefits of the process may significantly outweigh the costs.

The Act listed 22 energy projects that can now apply for fast-track approval. Energy projects with significant regional or national benefits that were not listed can still apply for their projects to be fast-tracked. Of the 14 projects currently in progress, only one, the application for replacement resource consents for the Tekapo Power Scheme, relates to energy, from the 22 listed in the Act. So far, there has been one successful energy referral (a 300MW solar farm in the Mackenzie Basin) and one unsuccessful referral (the Taheke 8C hydroelectric scheme).

For further information on the Fast-track Approvals regime read our coverage here.

RMA reform

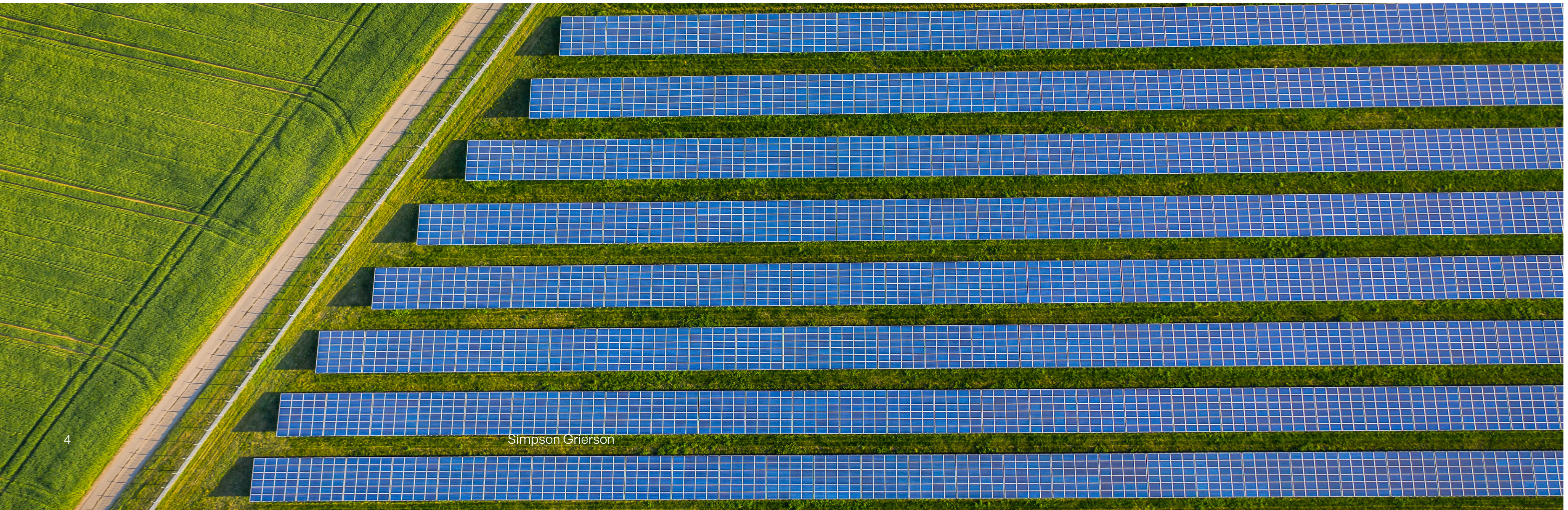
In March, the Government announced its much-anticipated plans for repealing and replacing the Resource Management Act 1991 (**RMA**), which involved splitting the RMA's functions into two new pieces of legislation:

- The Natural Environment Act (**NEA**) will manage the "use, protection and enhancement" of the natural environment, with development permitted except where it has adverse effects on the natural environment and a greater focus on offsetting and the overall impact on the environment.
- The Planning Act will regulate the "use, development and enjoyment of land". Development will be permitted as of right except where it would adversely impact a neighbour. The range of impacts that can be considered will be narrower than the RMA.

For further information on the RMA reform read our previous coverage here.

Then in June 2025, the Government opened consultation on changes to National Policy Statements (**NPS**) and National Environmental Standards (**NES**), including amendments to the NPS for Renewable Electricity Generation and the NPS and NES for Electricity Transmission Activities. Consultation on the changes closed on 27 July.

NPS establish policy direction to decision-makers under the RMA, while NES create rules that apply nation-wide instead of the equivalent rules in regional and district plans.



NPS for Renewable Energy Generation (NPS-REG)

The purpose of the proposed amendments to the NPS-REG is to:

- Reflect the importance of increasing renewable energy generation (**REG**) to meeting New Zealand's emission reduction targets.
- Emphasise the benefits of REG, including security of supply and the well-being of people and communities.
- Manage the adverse effects of REG on the environment.

Key changes to the NPS-REG include:

- Strengthening the requirement for decision-makers to consider the national benefits and significance of REG projects in RMA decision-making.
- Requiring decision-makers to recognise that even small increases and decreases in REG impact New Zealand's emissions and energy targets.
- Strengthening the requirement for decision-makers to protect existing REG assets from the adverse effects of new activities near those assets, including reverse sensitivity effects.
- Better enabling small-scale and community-scale REG projects throughout their lifecycle.
- Requiring decision-makers to recognise and provide for Māori in relation to REG activities.
- Requiring decision-makers to better enable the consenting, maintenance, upgrading and renewal of REG assets.

NPS on Electricity Transmission (NPS-ET) (to be renamed NPS for Electricity Networks (NPS-EN))

The purpose of the proposed changes to the NPS-ET is to:

- Update the NPS-ET, as it pre-dates emissions targets, and recognise the importance of the Energy Network (**EN**) in achieving both emissions and renewable energy targets.
- Recognise the need to increase EN capacity and delivery while managing adverse environmental effects proportionately and cost effectively.
- Protect the EN from the adverse effects of other activities.

Key changes include:

- Include electricity distribution networks, alongside electricity transmission networks, into the NPS.
- Strengthening the requirement for decision-makers to consider the national significance of the EN and better recognising the critical role of the EN in New Zealand's economy and emissions targets.
- Enabling routine EN activities to occur in a timely and efficient way while giving better direction on how to manage the potential adverse effects that EN activities could have on the environment and ensuring that conditions are proportionate and cost-effective.
- More directive policy to avoid direct and reverse sensitivity effects on the EN, including through identification of appropriate buffer corridors where certain activities such as sensitive activities (that differ between the ETN and the EDN) are to be avoided.
- Ensuring future development strategies and other spatial planning documents consider the potential for bulk electricity distribution infrastructure, particularly in existing urban areas.

NES for Electricity Transmission Activities (NES-ETA) (to be renamed NES for Electricity Network Activities (NES-ENA))

The NES-ENA combines electricity transmission infrastructure and electricity distribution assets into a single NES which will apply nationwide. The purpose of the changes includes enabling Transpower to undertake routine activities more efficiently without unnecessary restriction or unnecessary resource consent applications.

Increasing sources of energy supply

Offshore Oil and Gas

The Government has passed the Crown Minerals Amendment Act 2025 (**Amendment Act**), marking a major shift in approach to offshore oil and gas exploration. The Amendment Act reverses the ban on offshore exploration introduced in 2018, allows competitive tender or non-tender methods to allocate petroleum exploration permits, and alters petroleum decommissioning requirements. Applications for petroleum exploration permits will be accepted as soon as the required secondary legislation is in force, which is expected to occur by late September 2025.

Overall, the proposed changes are aimed at re-establishing New Zealand as an attractive destination for oil and gas investment. For further information on the Amendment Act read our previous coverage here.

Offshore Renewable Energy Bill

The Government has introduced the Offshore Renewable Energy Bill to establish a framework for the development of an offshore wind permitting regime in New Zealand, a necessary first-step to establishing offshore wind generation.

Key aspects of the Bill include:

- Developers are responsible for identifying the best sites of offshore wind.
- A two-permit system – feasibility permits which grant exclusive rights to apply for commercial permits to enable construction and operation of infrastructure.
- Developers will need to obtain resource/marine consents through the standard processes.
- Permit holders must provide a decommissioning plan and financial security to cover decommissioning costs.
- Commercial permit holders will plan, build, and fund transmission infrastructure, while Transpower (owner and operator of the National Grid) will own, operate, and decommission it.

The Bill does not provide for any price stabilisation measures (such as "contracts for difference"). You can read more about the regime here.

The Select Committee report on the bill was released on 17 June 2025 and unanimously recommended that the Bill pass. Key recommendations from the report include:

- Excluding infrastructure with a total generating capacity of 30MW or under if its main purpose isn't commercial gain from the energy generated or its purpose is facilitating research.
- Guaranteeing exclusivity of feasibility permits by preventing the grant of a permit for an area already covered by another permit.
- Removing clause 15(c), allowing applicants to apply for more than one permit within a region.
- Requiring applicants for commercial permits to consult Transpower and the Electricity Authority before making a permit application.
- Removing the requirement that permits not exceed 80 years in total but limiting each permit extension to 40 years.
- Allowing the Minister to grant commercial permits with a duration of less than 40 years if requested.
- Amending the definition of a group likely to be affected by a proposed safety zone in s 4(a) to make it clear that the group includes recreational as well as commercial users.
- Clarifying that the trailing liability to decommission only applies to infrastructure that was already in place at the time that person held the permit.
- Amending the Fast-track Approvals Act to allow a feasibility or commercial permit holder to apply for a resource or marine consent under the Fast-track Approvals scheme or marine consent under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act.

The Select Committee considered that for the Bill to be effective, changes to the legislation would be needed to manage competing uses such as offshore mining. This may need to be addressed sooner rather than later as Trans Tasman Resources Limited's fast-track application to conduct seabed mining off the coast of South Taranaki is currently in progress, however a majority of the committee considered it would be best to allow Cabinet to address this as the Bill progresses through the House.

Hydrogen

In November 2024, MBIE released its Hydrogen Action Plan, focusing on four key priorities to stimulate hydrogen investment in New Zealand:

- Creating an enabling regulatory environment;
- Reducing barriers to consenting hydrogen projects;
- Promoting a cost-effective and market-led transition to a low-emissions economy; and
- Supporting access to international investment and markets.

The Government sees hydrogen production playing an important role in New Zealand's transition to a low-emissions economy in sectors that are hard to electrify. It plans to update relevant legislative throughout 2025 so that businesses have certainty about the rules applying to the use of hydrogen.

CCUS

Carbon capture, utilisation, and storage has long been seen as a potential solution to decarbonise New Zealand's hard-to-abate industries, but progress has been slowed by the absence of a clear legal and regulatory framework. Following a 2024 consultation process, the Government has committed to introducing legislation to enable CCUS projects, with a bill expected later this year.

Incentivising foreign investment

Overseas Investment Act (OIA) reform

In June 2025, the Government introduced a Bill which will significantly reform the OIA (summarised here) and the changes are expected to be implemented before the end of the year. While the new Bill does not propose to make any changes to farm land or residential land, which are often relevant to energy projects, the new streamlined national interest test will speed up many applications.

We have made submissions to Select Committee recommending that the farm land rules not apply to land that is not going to be used for farming (for example, for solar farms) and recommended that the farm land advertising rules only apply to large farm land that is going to continue to be used for farming activities. If these submissions are accepted, this will make the regulatory process for developers in the energy sector much simpler.

We have also urged the Government (through direct engagement with Ministers and Treasury, as well as through our submissions on the Bill), to expand the existing residential land exemption for network utility operators to apply to both upstream investors in those networks and to owners of the infrastructure assets.

Overall, we are seeing the changes that the Government have made (through the Ministerial Directive Letter to the Overseas Investment Office (**OIO**) in June 2024 and the more general economic strategy to promote global investment) are encouraging foreign investment, including in the energy sector.

Reformed guidance on Solar and Wind Farm investments

In January 2025, Land Information New Zealand released a reminder of key considerations for investors in renewable energy developments in New Zealand. These include:

- Leases of non-urban land lasting 10 years or more (commonly used for solar developments) require OIO consent, but the process for demonstrating sufficient benefits to obtain OIO approval is relatively straight-forward.
- Easements (commonly used for onshore wind projects) generally do not require OIO consent.
- For post-development changes in ownership requiring consent, the OIO has recognised that selling down interests in an already developed project can still be considered a benefit under the OIA due to the risk of assets being stranded, even where no further capital investment or job creation is expected.

For further information on this, read our previous coverage here.

Energy Competition Task Force changes to the electricity market

The Energy Competition Task Force was established to bolster competition and resilience in the New Zealand electricity market. Earlier this year, the Task Force released two consultation papers:

- January 2025: A consultation paper exploring options for promoting the development of power purchase agreements (**PPAs**) in NZ (**PPA Consultation**); and
- February 2025: A consultation paper on how to implement the proposed "level playing field measures", which would force the large generator-retailers (Gentailers) (Contact, Genesis, Meridian and Mercury) to offer the same hedging terms to independent retailers and generators as they provide to their own retail arms (**Level Playing Field Measures**).

You can read more about the Task Force, here.

PPA Consultation

The PPA Consultation examines how to encourage use of PPAs in New Zealand, recognising that PPAs can help diversify the electricity market, assist independent developers to enter the market, and reduce energy price volatility for businesses while supporting sustainability.

Options for encouraging PPA use include:

- Improving access to firming services;
- Enhancing pricing transparency for both firming and PPAs;
- Developing standardised PPA templates to simplify negotiations;
- Creating PPA matching services to connect buyers and sellers;
- Providing better procurement resources and demand information.

In May the Electricity Authority released a response paper, summarising submissions on the paper and outlining its next steps. Key points from the response paper:

- Submissions generally supported the view that firming is the key headwind impacting the success of PPAs.
- The Task Force believes that supporting competitive generation entry should remain a priority and addressing access to firming should be its main priority to support generation entry.
- Among the options to address firming set out in the original PPA Consultation, there was very limited support for allocation (redistributing firming), some interest among parties to further explore socialisation options (shielding parties from commercial risk), and good support for options improving access to firming, with flexibility trading gaining the most support.
- Information and services measures should be a relatively low priority for the Electricity Authority, as other parties are advancing these.

Level Playing Field Measures

The Level Playing Field Measures focus on competition risks in New Zealand hedge contract market stemming from the concentration of flexible generation capacity among four large Gentailers. The Task Force identified that independent retailers and generators need access to hedging contracts to remain financially viable.

The consultation paper recommended imposing obligations on Gentailers to give independent retailers and generators access to hedge contracts on substantially the same terms as Gentailers supply internally. There is a three-step implementation approach:

1. Introduction of obligations that give Gentailers discretion as to how they comply;
2. More detailed implementation rules if Gentailer response is insufficient; and
3. If Gentailer response is inadequate, requiring Gentailer-supplied hedge contracts to be traded through a regulated market on equal terms for all buyers.

The Task Force also noted the potential to split off Gentailers flexible generation capacity if these other measures are unsuccessful. You can read more here. Submissions closed on the Level Playing Field Measures on 7 May, with an update or consultation paper expected in September.

Package 2: Increasing options for consumers

The Package 2 options are aimed at incentivising and increasing the use of distributed energy resources to mitigate supply shortages and network constraints. The options put forward were:

1. Rebates for exporting electricity;
2. Time-of-use pricing;
3. Better rewards for consumer supply;
4. Rewards for short-term demand flexibility.

In July, the Task Force released decision papers on the first three options. Key changes include:

- From 1 April 2026, households with rooftop solar and battery who export their electricity to the grid at peak times must be paid a fair price for that electricity. This will encourage consumers to supply power to the network at peak times and reward them fairly for the benefit to the network. For the first year, while distributors develop pricing methodologies, this can be based on the differential between the distributor's peak and off-peak rates.
- From 1 July 2026, retailers with more than 5% market share will have to offer time of use plans to consumers. This is intended to provide better options for customers to save money by reducing peak period electricity use.

Our view of the Government's programme

We are encouraged to see progress on regulatory and legislative levers to encourage an increase in New Zealand's energy supply. The challenges New Zealand is facing require long-term, collaborative thinking from this Government and any subsequent Government, so we are hoping to see some level of cross-party consensus with some of these key changes.

New Zealand faces difficult trade-offs to grow energy security and supply, requiring consenting authorities to weigh new energy projects against environmental considerations.

Consenting of energy projects remains challenging, demonstrated by appeals against the consent granted for the Kapuni wind farm and the decline of Contact Energy's consent application for its Southland wind farm. The Fast Track Approvals Act and the proposed RMA changes are the most significant changes to New Zealand's consenting regime in over 30 years. Resource management issues are inherently complex. Tensions between different land uses, the protection of finite natural resources, and the need to enable growth in the energy sector and the wider economy will remain. The Government's focus on enabling development is encouraging, but the real test will come once consenting decisions begin to be made under the new legislation. Past experience has shown that, even with streamlined processes, projects can still be delayed or blocked.

The Government's focus on security of supply is also positive, as it continues the previous Government's work on the development of an offshore wind permitting framework. Offshore wind developments can take up to 10 years, so establishing a stable regulatory environment now is essential. As we have previously commented, the absence of any revenue stabilisation mechanism could hinder the growth of offshore wind. If the Government wants offshore wind to play a major role in New Zealand's energy future, then it may need to revisit this decision.

We welcome the Government's recognition of the important role natural gas plays in the transition to 100% renewables. While wind and solar will continue to grow, gas provides fast-start and flexible peaking capacity, vital for firming renewable energy generation.

The increase in renewable energy developments requires significant domestic and international investment. New Zealand's OIA regime has been criticised as slow, lengthy, and rigid, failing to reflect the benefits of greater investment in energy and infrastructure. While land-use requires careful scrutiny, we believe that the changes to investment settings will prove valuable in attracting greater international investment to New Zealand.

New Zealand's transition to a more renewable and intermittent generation base (wind and solar) will likely result in even "peakier" wholesale electricity prices in the future. While the work of the Energy Competition Task Force and others on structural changes is helpful, the reality is that, at least in the short to medium term, electricity prices are, and will increasingly be, strongly influenced by the weather and people's expectation of what the weather will be.

Overall, we are encouraged by the Government's continued commitment to significantly increase New Zealand's renewable energy capacity, supported by regulatory changes aimed to increase new renewable development. Ultimately, success will depend not just on policy, but on how effectively the private sector can work within the new settings, and with government, to turn ambition into infrastructure.

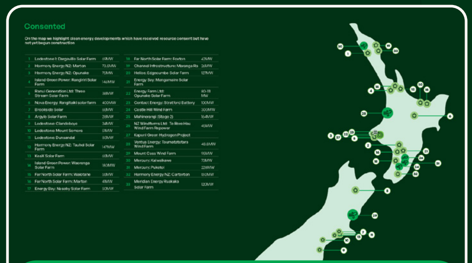
If New Zealand cannot consent and develop new energy infrastructure and generation, its dependence on coal and gas will continue, putting our ability to meet our Net Zero commitments at risk.

Status report: renewable energy projects

New Zealand's renewable energy sector is growing fast. On the map we highlight current and future clean energy projects. More detail is available in the maps below.

View full map for announced →

View full map for planning or consenting stage →



View full map for consented →

View full map for under construction →

View full map for operational →

Simpson Grierson's energy team

Edward Norman, Partner
Project development/finance & transactions
+64 4 924 3575
edward.norman@simpsongrierson.com

Josh Cairns, Partner
Project finance & transactions
+64 4 924 3409
josh.cairns@simpsongrierson.com

Catherine Shipton, Senior Associate
Project finance & transactions
+64 3 968 4055
catherine.shipton@simpsongrierson.com

Sarah Scott, Partner
Consenting & environmental
+64 3 968 4018
sarah.scott@simpsongrierson.com

Matt Conway, Partner
Consenting & environmental
+64 4 924 3536
matt.conway@simpsongrierson.com

Hamish Harwood, Senior Associate
Consenting & environmental
+64 4 924 3508
hamish.harwood@simpsongrierson.com

Greg Allen, Partner
Real estate
+64 9 977 5164
gregory.allen@simpsongrierson.com

Michelle Dunlop, Senior Associate
IP / ICT
+64 9 977 5325
michelle.dunlop@simpsongrierson.com

Simon Vannini, Partner
Project development & transactions
+64 9 977 5186
simon.vannini@simpsongrierson.com

Chris Browne, Special Counsel
Regulatory
+64 4 924 3553
chris.browne@simpsongrierson.com

Amanda Stephenson, Senior Associate
Regulatory & transactions
+64 9 924 3519
amanda.stephenson@simpsongrierson.com

Sally McKechnie, Partner
Government Relations
+64 4 924 3456
sally.mckechnie@simpsongrierson.com

Shanti Frater, Partner
Construction
+64 9 977 5273
shanti.frater@simpsongrierson.com

Lisa Curran, Partner
Construction
+64 9 977 5194
lisa.curran@simpsongrierson.com

Tara Wylie, Partner
Real estate
+64 9 977 5291
tara.wylie@simpsongrierson.com

Gerald Lanning, Consultant
Iwi Relations
+64 9 977 5406
gerald.lanning@simpsongrierson.com

simpsongrierson.com

Auckland
Mail Private Bag 92518, Auckland 1141, New Zealand
Visit L27, 88 Shortland Street, Auckland 1010 (deliveries to L8)
Call +64 9 358 2222

Wellington
Mail PO Box 2402, Wellington 6140, New Zealand
Visit L5, 40 Bowen Street, Wellington 6011
Call +64 4 499 4599

Christchurch
Mail PO Box 874, Christchurch 8140, New Zealand
Visit L1, 151 Cambridge Terrace, Christchurch 8013
Call +64 3 365 9914