# Energy Outlook

Energy at a turning point

April 2026

# Contents



*Cover image: Tauhei Solar Farm*

SIMPSON GRIERSON

# Energy at a turning point

When we began planning this edition of our Energy Outlook, we could not have anticipated the pace at which the global energy landscape would shift before we went to print. By the time you read this, some of what follows may already have moved on. That is the nature of the moment we are in.

The conflict in the Middle East, and specifically the disruption to the Strait of Hormuz, through which around 20% of the world's oil shipments travel, has created a global energy shock whose full consequences are still unfolding. New Zealand is not insulated from this. Fuel prices have risen sharply, and the Government is actively managing supply chains and preparing for scenarios it hopes will not materialise.

The Finance Minister has confirmed approximately seven weeks of fuel supply in storage or in transit, but has acknowledged that buffer depends on ships continuing to arrive. For the construction sector, which is critical to delivering the renewable energy infrastructure this country needs, rising fuel costs and supply uncertainty are already translating into contract risk and project cost pressure.

Against this volatile backdrop, New Zealand's domestic energy reform programme takes on new significance. The case for energy security and the transition to renewables has never been more commercially compelling or more urgent. The Government's decision to progress a LNG import terminal, the continued build-out of our renewables pipeline, and the regulatory reforms working their way through the system all reflect an energy sector in active transition. And one that is increasingly attractive to international capital.

This edition captures where things stand. Our market trends section sets out the data; our gas chapter addresses the structural shift underway in that market; and our consenting and OIA sections reflect a regulatory environment that is moving faster in our view than at any point in recent memory. We are also proud to feature two landmark transactions: the **Tauhei Solar Farm**, New Zealand's largest solar development and the **Datagrid** hyperscale AI data centre, a first of its kind for this country, as evidence that the deals are getting done.

Additionally, New Zealand is in an election year. Policy settings will continue to evolve, and the shape of the energy sector will depend in part on who governs after November. What is clear is that the decisions made, and the investments committed in the next 12 months, will matter for a long time to come.

If any of the issues covered in this edition are relevant to your business or projects, we would welcome the opportunity to talk. Please get in touch with any member of our energy team.

Ngā mihi,


**Simon Vannini**
*Partner, Head of Corporate & Commercial*

# New Zealand market: Energy trends & insights

## Electricity

The New Zealand electricity market entered 2026 from an unusual position of short-term comfort, but with structural pressure in the longer term. In the December 2025 quarter, renewables supplied 96.4% of total electricity generation, the highest quarterly share on record, supported by strong hydro inflows and continued commissioning of new renewable capacity. This places New Zealand well ahead of Australia, where renewables typically supply around one third of electricity generation and coal fired plant remains a central source of firming supply.

Despite this strong performance, New Zealand's renewables-led system faces increasing challenges. Declining domestic gas supply and the increasing reliance on intermittent generation continue to shape investment and policy discussions. The great unknown for the medium to longer term is the extent to which the current Middle East conflict and the resulting restrictions on energy-related shipping traffic will continue to impact the global supply and pricing of energy resources.

**96.4%**

**of total electricity generation came from renewables in the December 2025 quarter, the highest quarterly share on record.**

### Hydro and solar underpin record renewable output

Strong inflows lifted hydro generation in 2025 by 8% as against 2024, reducing gas and coal fired generation to its lowest levels in over 45 years. At the same time, utility-scale solar output rose by over 70% as a wave of projects reached commissioning. The continued rise of solar reflects both faster project delivery and growing investor confidence in utility-scale solar projects. Solar is now contributing material volume to the wholesale market, helping to push spot prices into single-digit levels on many days, and driving a number of Power Purchase Agreements.

Wind remains a core part of New Zealand's renewables mix and a key pillar of future capacity growth. It accounts for around 12% of installed generation capacity, having doubled since 2021. Alongside solar, it remains one of the main pathways for adding large volumes of new renewable power supply, representing around 21.5% of prospective new generation capacity, including a mix of new sites and repowering proposals. With limited commissioning of new wind generation capacity in 2025, recent wind generation statistics have largely tracked wind conditions rather than showing any significant additional capacity. However, wind generation is expected to lift this year, with more than 230MW of new wind capacity scheduled for completion.

**8%**

**increase in hydro generation in 2025 was driven by strong inflows.**

**+70%**

**higher utility-scale solar output resulted from a wave of newly commissioned projects.**

**12%**

**of installed generation capacity is wind, having doubled since 2021.**

**21.5%**

**of prospective new generation capacity comes from wind.**



### Heat rises on geothermal

Recent funding and policy signals are strengthening the outlook for geothermal development. A further $50 million has been ring-fenced to support geothermal projects, in addition to the up to $60 million announced in 2024 to explore the potential of supercritical geothermal technology. Geothermal generation consistently supplies around 17-20% of national electricity output and provides higher levels of system reliability as the proportion of intermittent renewables continues to grow.

### Firming solutions

Thermal generation has declined sharply, but its role in managing dry-year risk has become more critical. Domestic gas supply continues to decline, and winter 2025 showed how quickly reserves can tighten. The proposed LNG import terminal is intended to manage dry-year risk and support supply stability. See Chapter 3 for our thoughts on the gas sector entering a new phase. The Government expects that LNG will be imported only when required. While this may limit the volumes of LNG that are called for, the use of LNG will expose New Zealand's wholesale electricity market to international gas prices. Nevertheless, this should preserve investment incentives for domestic alternatives. It should, however, be noted that industry is recognising LNG's potential to play a larger role in the shrinking gas market, particularly when compared with Australia, where LNG is used at scale to support electricity generation and system reliability.

In parallel to advancing non-intermittent energy generation, investment in energy storage is accelerating. Several grid-scale battery projects are either under construction or recently completed, improving short-term resilience and peak support. Australia has moved faster on utility scale storage, reflecting the larger role batteries play in managing volatility from high solar penetration. In New Zealand, batteries are emerging primarily as a resilience and firming tool alongside hydro and thermal generation.

### 2026 renewables pipeline and outlook

The renewables pipeline shows strong momentum with more than 1,400MW of renewable generation under construction and a further 1,300MW having reached FID. Near-term delivery in 2026 is being led by solar projects already in the connection and build queue, with wind also contributing as a second wave of commissioning follows.

As new capacity comes online, attention is increasingly on delivery into the system, where connection sequencing, and network upgrades all present challenges. At the same time, ongoing exposure to dry-year conditions keeps firming solutions and flexible supply central to managing price risk and maintaining system confidence as demand rises.

> *"As new capacity comes online, attention is increasingly on delivery into the system, where grid constraints, connection sequencing, and network upgrades all present challenges."*
>
> **Shanti Frater, Construction Partner**

# New Zealand's gas sector enters a new phase with LNG

New Zealand's gas market has reached a critical impasse. What was once a gradual decline is now a structural feature, with little tolerance for outages, dry years, or asset under-performance. The loss of system slack, and the flexibility when things go wrong, is the defining characteristic of the current market.

The Government's decision in February 2026 to progress a LNG import terminal is the most significant response to date. The proposed facility is intended as insurance rather than a return to gas growth: minimum LNG volumes will be available to support gas-fired generation in dry years, stabilise prices, and reduce reliance on coal. Critically, LNG is scalable; volumes can increase in dry years and fall away in wet years, providing flexibility without locking in long-life domestic gas assets. MBIE has modelled that even the introduction of a LNG import terminal will lower future wholesale electricity prices by at least $10/MWh. However, LNG can be expensive, and wholesale electricity prices may remain high during periods when LNG-fuelled generation is required. How much storage the terminal can hold will have a big bearing on that price impact.

The LNG decision is not a signal of renewed confidence in gas. It is an acknowledgement that an unmanaged exit would be more costly, more volatile, and more emissions-intensive.

### How we got here

The latest government data confirms what the market has been feeling for some time: domestic gas supply is declining faster than previously expected, and the system is now operating with materially less slack. Natural gas production has fallen sharply in recent years, with mature fields continuing to decline and critical assets under-delivering. MBIE reports that natural gas generation fell to its lowest quarterly level since 1980, with output down 52 percent year on year.

Industry behaviour is already adjusting faster than Government policy is reacting. Several large industrial users are reconsidering their future in the market: Ballance Agri-Nutrients has secured enough gas to keep its Kapuni plant running until June this year, but its future beyond that is uncertain; Methanex has written down the value of its New Zealand methanol business to zero. Early exits are no longer theoretical risks. They are real outcomes with implications for regional economies, employment, and export capacity.

Gas nevertheless remains critical to New Zealand's energy system, both as a fuel for peak electricity generation and for maintaining security of supply in dry years over at least the next decade. While wind and solar capacity is growing, intermittency, seasonal constraints, and limited battery penetration mean firm, dispatchable thermal capacity is still required. In recent dry periods, constrained gas supply has translated directly into higher coal burn and elevated wholesale electricity prices. Residential consumers are already feeling the effects: gas connections are reducing as retailers increasingly decline to take on new residential customers.

### The Government's response

Interventions to date have been targeted and pragmatic, aimed at managing the transition and reducing near term risk. The Crown Minerals Amendment Act, enacted in August 2025, lifted the ban on new oil and gas exploration beyond onshore Taranaki and relaxed aspects of the petroleum decommissioning regime. The Gas Security Fund, which is capped at around $200 million, is designed to underwrite projects that improve security of supply across the short, medium and long term.

Even fully deployed, however, these measures cannot reverse declining geology. As PwC notes, without intervention New Zealand's declining gas supply could lead to a rapid and potentially turbulent transition. 'Just in time' policy-making is not going to cut it.

### Cross-party support and planning is crucial

The central challenge now is coordination.

Projects, Infrastructure & Energy Partner Edward Norman says: "Aligning the decline of gas supply with the build-out of renewables, firming capacity, networks and demand response will determine whether the transition is orderly or disruptive.

"This will require sustained bipartisan support across the political spectrum, with clear signals about the residual role gas plays to shape investment behaviour across the energy system over the next decade."

Without cross-party coordination, the risk is not a managed transition but a series of reactive, crisis-driven interventions, shaped by the political leanings of whoever is in government. For market participants, the message is clear: volatility is structural, and the time for transition planning is running out.

# Electricity market developments

The electricity market is in the midst of significant regulatory change, driven by the Energy Competition Task Force and the Government's response to the Frontier Economics report on market performance.

Rules requiring the four large gentailer groups to offer wholesale electricity price hedges to independent retailers on fair and equal terms are expected to enter the Code in May 2026 and take effect from 1 July. The rules are designed to ensure independent retailers can access hedges on the same terms as the gentailers' own retail arms.

The Authority has amended the Code to introduce an emergency reserve scheme, which is a new ancillary service the system operator can call on to manage short-term supply shortfalls. Providers are paid to make demand-side response and/or non-market generation available at short notice to balance supply and demand. Extended reserve is expected to start in Q4 2026.

From November last year, the Authority began publishing monthly hedge market summary reports, tracking pricing and trading trends across exchange-traded and over-the-counter electricity hedges to improve market transparency.

In January, Cabinet approved amendments to the Electricity Industry Act 2010 that would significantly increase the Authority's enforcement powers by: raising maximum penalties for Code breaches to $10 million or three times commercial gain, introducing instant infringement fines for minor or repeated breaches, and strengthening the Authority's ability to update the Code and monitor the market. The relevant Cabinet papers were published in February. The amendment Bill has not yet been introduced.

As we noted in our November 2025 Energy Outlook, significant changes are also coming to the Code rules governing connections to distribution networks and pricing for distribution services. These developments are directly connected to increasing electrification and distributed generation, including at the household level. We recently published a summary of these developments out to June 2027.

*"Taken together, these and other changes reflect policy-makers and regulators shifting decisively from consultation to action, responding to perceptions that the electricity market is not working hard enough to achieve the right balance of reliability, affordability and sustainability."*

**Chris Browne, Corporate & Commercial Special Counsel**

# Datagrid New Zealand

## Client highlight

When New Zealand's first hyperscale AI factory secured resource consent in 2025, Simpson Grierson was at the centre of making it happen.

Approved for development on a 49-hectare site in Makarewa, Southland, the Datagrid New Zealand data centre campus will span 78,000 square metres and draw up to 280MW of electricity. This makes it NZ's second-largest electricity user after the Tiwai Point aluminium smelter. Designed for large-scale AI training and data-intensive workloads, the $3.5 billion facility will leverage Southland's cool climate for highly energy-efficient operations, and is expected to generate over 1,200 direct jobs during construction alone.

Simpson Grierson advised Datagrid New Zealand on securing resource consent for the campus, with the team led by Development Partner Bill Loutit. The consenting strategy required close collaboration with councils, iwi and a broad range of stakeholders, reflecting both the complexity of a first-of-a-kind project and the significance of the outcome for the region and the country.

The project extends beyond the campus itself. Alongside the data centre development, Datagrid is delivering the Tasman Ring Network, which is a proposed 6,000 km trans-Tasman subsea cable linking Invercargill with Sydney and Melbourne. The cable's landing at Oreti Beach will mark the first international subsea cable connection to New Zealand's South Island, materially strengthening Aotearoa's international digital connectivity and network resilience.

The transaction reflects Simpson Grierson's growing focus on AI, emerging technologies and complex infrastructure. Advising on a project of this scale that establishes New Zealand as a credible participant in global AI and data infrastructure markets, draws on the firm's depth of expertise across resource management and consenting, energy and regulatory, construction, and digital infrastructure.

Bill Loutit says the outcome is genuinely historic. "This is a world-leading project and our team was thrilled to collaborate with our client on this landmark work, which will benefit the region and the country.

"Securing approval for a project of this scale reflects the quality of the proposal, the consenting strategy, and the collaborative approach taken with councils, iwi and stakeholders."

*"What set Simpson Grierson apart was how quickly they developed a genuine understanding of our business, what we were trying to achieve and why speed mattered. Their advice was clear and strategic, and the team's responsiveness throughout the consenting process gave us the confidence to keep the project moving. It was exactly the kind of partnership we needed."*

**Emily Reeve, Head of Legal and Corporate, Datagrid New Zealand**

# Fast-track consenting:
# The proof is in the projects

Development and infrastructure projects of regional or national significance can access the Government's fast-track consenting regime. Fourteen projects have now received final decisions, with many more successfully referred into the system and working toward substantive final decisions.

The energy sector uptake of the consenting regime is gaining momentum. Five new energy projects have been successfully referred into the approvals process and eight energy projects are working through their substantive applications towards a decision. Waitaha Hydro has received a draft approval decision and the Tekapo Power Scheme a final approval.

| | Active Projects | Status |
|---|---|---|
| 1 | Foxton Solar Farm | Substantive being progressed |
| 2 | Grampians Solar Project | Referred |
| 3 | Haldon Solar | Substantive being progressed |
| 4 | Kaimai Hydroelectric Power Scheme Re-Consenting | Substantive being progressed |
| 5 | Kuratau Hydro-Electric Power Scheme | Referred |
| 6 | Lake Pukaki Hydro Storage and Dam Resilience Works | Substantive being progressed |
| 7 | Mahinerangi Wind Farm | Substantive being progressed |
| 8 | Mangahao Hydro-Electric Power Scheme | Referred |
| 9 | Southland Wind Farm | Substantive being progressed |
| 10 | Tekapo Power Scheme | Approved November 2025 |
| 11 | The Point Solar Farm | Substantive being progressed |
| 12 | Twizel Solar Project | Referred |
| 13 | Waitaha Hydro | Draft approval |
| 14 | Clutha Pumped Hydro | Referred |

The Government confirmed amendments to the Fast-track Approvals Act that came into effect in January and March. While narrower than originally proposed, Planning & Environment Partner Sarah Scott says they reflect the Government's clear priority of accelerating the consenting pathway for significant infrastructure, including energy projects. Key changes include:

- The Minister can now issue a Government Policy Statement setting out policies on the regional or national benefits of certain infrastructure or development types.
- A new Order in Council process allows project descriptions for Schedule 2 listed projects to be amended, adding flexibility for applicants.
- Consultation requirements prior to lodging an application have been clarified, and duplicative process steps removed.

The Government is also progressing its overhaul of the Resource Management Act. This is the primary legislation under which energy projects are currently consented. Two replacement bills are before select committees, with around 1,340 submissions lodged. Both are expected to pass before the November 2026 general election. Submissions on the bills include requests for the benefits to be derived from the use and development of renewable energy to be listed as a clear goal of the new regime. In the meantime, the fast-track regime is operating as a parallel pathway, giving investors and developers a more predictable route while the broader legislative framework is resolved.


*"The regime has demonstrated it can move quickly while still delivering thorough outcomes. Panels are setting a high bar and expect to see comprehensive documentation so that they can rigorously test competing evidence. Applicants should come prepared."*

**Sarah Scott, Planning & Environment Partner**

## Tauhei Solar Farm

### Client highlight

When New Zealand's largest solar farm, developed by Harmony Energy and First Renewables, part of Clarus, reached financial close in 2025, Simpson Grierson was at the centre of the transaction, acting for Elecnor in its appointment as EPC and O&M Contractor.

Powered by 330,000 solar panels and with an installed capacity of 202MW, the Tauhei Solar Farm at Te Aroha represents a landmark moment for New Zealand's renewable energy sector. Connected to Transpower's 110-kV grid via the Waihou substation, it will make a significant contribution to national electricity supply when commissioned later this year.

Elecnor is one of the world's leading renewable energy contractors and developers, operating across solar, wind, hydro, synchronoss, BESS and power transmission projects. With over 28,000 employees, a presence in more than 40 countries, and a track record that includes over 11,000MW of completed renewable projects, surpassing 15,000km of high-voltage transmission lines, and 550+ substations worldwide, Tauhei marks Elecnor's entry into the New Zealand market, following more than a decade of successful operations in Australia.

Simpson Grierson has acted for Elecnor, which is the project's Engineering, Procurement and Construction (EPC) Contractor, since early 2024. The team, led by Construction Partner Shanti Frater and Special Counsel Mark Gillard, advised across the full commercial structure of the project: drafting and negotiating the EPC Contract, O&M Contract, Early Works Agreement, subcontracts and supply agreements, and a direct deed with the project's financiers.

The transaction drew on specialist expertise from across our firm, including financing, tax, regulatory and planning, electricity market regulation, health and safety, employment, and corporate structuring — including the incorporation of the New Zealand Elecnor entity established to deliver the project.

*"Entering a new market with a project of this scale requires a legal partner capable of navigating complex commercial structures with precision. That is exactly what Simpson Grierson delivered. From the early works and EPC agreements to O&M and lender requirements, their team provided expert, integrated advice at every stage. The quality of our collaboration and the outcome achieved reflect the very best of what a strategic legal partnership should look like."*

**Victor Mendez, Solar Operations Manager | Elecnor New Zealand**

# OIA reform:
# Faster consenting for overseas investment

The reforms which took effect on 6 March 2026 signal a continued shift toward a more streamlined, risk-based approach to overseas investment screening under the Overseas Investment Act 2005. Consistent with the Government's broader reform agenda, the accompanying Ministerial Directive Letter from Hon. David Seymour emphasises faster processing for lower-risk transactions and greater regulatory focus on investments raising national interest concerns. Where a transaction is determined unlikely to pose such a risk, the Regulator is directed to move quickly to consent.

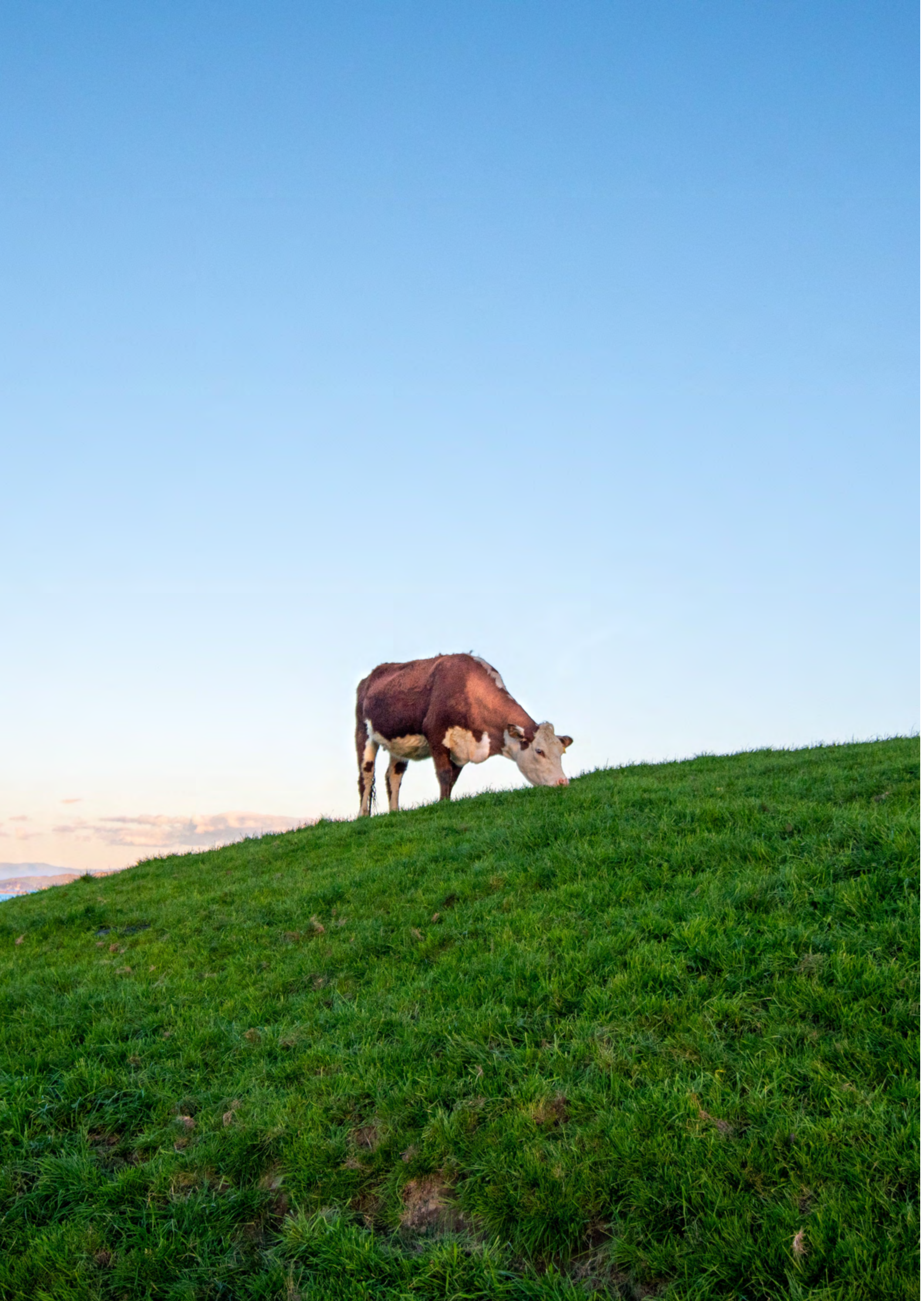
The approval process for new solar projects will remain largely unchanged. The farmland element still requires a benefits assessment; one that solar developments are well-placed to satisfy given the capital investment, job creation, and alignment with renewable energy policy. Fees remain unchanged for now but will be reviewed later this year, and the existing 50% timeframe directive (applied in 80% of cases) continues.

However, the reforms will be positive for investments in existing developed solar farms, which will fall within the streamlined primary assessment pathway under the national interest test, meaning significantly faster processing at reduced cost. The statutory timeframe is 15 working days, but the Regulator is directed to process 80% of these applications within five working days.

For a different class of investor, the picture is more complex. Non-New Zealand government investors and strategically important businesses will be subject to greater scrutiny and longer processing timeframes: 55 working days, with a directive to assess 80% of applications in half that time, and carry higher application fees.

*"Looking ahead, this policy direction may not be stable. With a New Zealand general election due later in 2026, a change of government - or a shift in coalition composition - could prompt new ministerial directions that reintroduce greater oversight and recalibrate the national interest assessment, including the weight placed on strategic assets, land use, or foreign ownership in the energy sector."*

**Tara Wylie, Real Estate Partner**



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