SIMPSON GRIERSON

Energy Outlook 2025

November 2025

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Welcome to the November 2025 edition of our Energy Outlook.

If you've been watching New Zealand's energy sector over the past twelve months, you'll know that standing still isn't an option.

2025 has delivered a torrent of regulatory reform: more change, arguably, than we've seen in a generation. And crucially, it's starting to deliver results.

Take Genesis's Tekapo Power Scheme: just 79 days from panel establishment to final consent under the new Fast-track regime. Or consider the rapid acceleration in grid-scale solar developments: from contributing just 1.4% of total electricity in 2024 to over 70 projects now in the pipeline. The momentum is undeniable, and New Zealand is increasingly being viewed as a testing ground for emerging energy technologies.

So, is the Government's Energy Package hitting the mark? In our view, yes - but with caveats. The response to the 2024 winter crisis has been both ambitious and pragmatic. Mandatory non-discrimination rules for gentailers, new consumer rebate schemes, reversal of the 2018 offshore exploration ban, plans for an LNG import terminal, and lifted capital constraints on mixed-ownership generators represent meaningful intervention.

Are our settings right? We're moving in the right direction. The combination of market competition reforms, investment incentives, and fast streamlined consenting is creating genuine opportunity. However, gaps remain - particularly around firming capacity and the economics of LNG imports.

Over time, we expect to see the fragmented nature of renewable development to result in consolidation and economies of scale.

What does 2026 look like? Expect continued momentum. We'll see further detail on the Government's two energy workstreams, the Natural Environment Bill and Planning Bill will land, and Fast-track approvals will accelerate. For investors, the opportunity window is open. But the regulatory landscape will keep evolving. Those who stay ahead of the curve will be best positioned to capitalise.

In this edition of Energy Outlook, we track the regulatory changes, highlight the Fast-track approvals, and outline what these shifts mean for investors and market participants. We've also included examples of how we're helping clients navigate these opportunities: from renewable joint ventures to strategic acquisitions that build sector capability.

The opportunity window is open, but the regulatory landscape will keep evolving. If you want to understand where New Zealand's energy sector is heading and how to move decisively on your projects, our team across Aotearoa is here to help. Get in touch to discuss how these changes affect your business.

Ngā mihi,

Simon Vannini
Partner

Speed to market: the Fast-Track advantage

Five projects have received approvals under the Government's 10-month-old Fast-track regime, with one of those being a renewable energy project in Genesis' application for replacement consents for the Tekapo Power Scheme. The project was extracted from the standard consenting process under the Resource Management Act, and when accepted into the fast-track system, took just 79 days between the panel being established and the final approvals being issued.

Ministers Chris Bishop and Shane Jones highlighted the project's importance for reliable, clean electricity to power over 228,000 homes.

So far, the Fast-track process has required a high level of preparation and detailed documentation from applicants. The decision-making process has demonstrated that the Fast-track regime is not a free for all, and panels carefully assess whether legislatively prescribed criteria are met. The table below summarises the progression of energy projects:

Project	Description	Status	Reasons
Tekapo Power Scheme – Applications for Replacement Resource Consents	Continue to use, operate and maintain power scheme of Tekapo A and B power stations and substations and the canal system, and connect to national grid.	Substantive approved (listed)	The adverse effects of the Application are acceptable, the Application is consistent with the planning framework and will have extensive regional and national benefits.
Southland Wind Farm	Establish and operate a 250 – 350-megawatt wind farm in Southland. Expected to generate sufficient electricity to power 110,000 to 150, 000 households.	Referral accepted, substantive accepted as complete	The Application is before an Expert Panel, a decision is required by 17 April 2026.
Lake Pūkaki Hydro Storage and Dam Resilience	Taking additional water from Lake Pūkaki and installing rock armouring on Pūkaki Dam.	Referral accepted	Minister satisfied the project will have significant regional or national benefits as it enables the continued functioning of existing nationally significant infrastructure, would lower electricity prices by approximately 7 per cent, will enhances security of electricity supply and reduce greenhouse gas emissions through the provision of hydroelectric power.
Clutha Hydro Scheme	Dropping the lake's minimum operating level from 338 to 336 metres above sea level - and down to 334 metres in extreme dry years - to boost renewable generation and strengthen electricity supply.	Referral declined	Minister not satisfied the project would have significant regional or national benefits because it is not clear whether the variations sought could be implemented by an expert panel. Project may have significant adverse effects on the environment.
Taheke 8C Hydroelectric Scheme	Proposed hydropower project on Kaituna River.	Referral returned	Ministry for the Environment returned the application as non-compliant for involving an ineligible activity and lacking information required under s 13 of the Fast-track Approvals Act.

Further, a private Consortium with shareholders consisting of David Parker (former Minister for the Environment), Rodger Finlay (acting Reserve Bank chair) and Keith Turner (former Transpower chair) is planning to lodge a fast-track application for the scrapped Lake Onslow pumped hydro scheme.

The Government has been closely following the Fast-track approvals process and in early November, introduced an Amendment Bill which it aims to pass before the end of 2025. The Bill has been pitched as a response to the lack of competition between supermarkets. In reality, the process is getting a comprehensive overhaul. Key changes include:

- Increased Ministerial oversight of the process
- The Minister can declare the regional and national benefits of certain infrastructure or development
- Reduction of mandatory consultation requirements
- Restriction of the Panel's discretion to invite additional persons to comment on applications
- The Bill enables a panel to impose a condition ensuring that the infrastructure in the project area or the infrastructure the project will rely on, is or will be made adequate
- Increased flexibility meaning less opportunities to reject a proposal
- The timeframe for panels to reach a final decision cannot be longer than 60 working days from the date specified for receiving comments from participants, unless the applicant agrees.

For further information on the Fast-track Amendment Bill read our article here.

Opening the gates: attracting foreign capital

Fossil fuels and the search for firming capacity

It is no secret that the NZ Oil & Gas sector has struggled since the 2018 ban on exploration permits. A Ministry of Business, Innovation and Employment (MBIE) update in June 2025 revealed that NZ domestic gas production almost halved in the last ten years, with oil following broadly the same trajectory. This is in the context of an economy which still relies, for the most part, on fossil fuels for energy.

The trend resulted in much publicised economic dislocation and the reduction of critical industrial facilities including the idling of the Methanex chemical production plant and the closure of numerous pulp and paper mills across the country.

It is not surprising, therefore, that the Government, increasingly focused on economic "wins" in advance of the 2026 election, is looking at bold steps to improve the supply of fossil fuels, most importantly:

- The reversal of the 2018 ban on exploration permits (see here for further details).
- The Government's stated intention that its majority ownership in Genesis, Meridian and Mercury Energy does not preclude capital raising for critical development projects.
- The proposal to create a new LNG import terminal designed to bring in the reserves necessary to guarantee supply in circumstances where the country's growing renewable generation facilities cannot meet demand (see: Factsheet: LNG).

We hope that these proposals, alongside a range of regulatory modifications (including changes to planning rules and new incentives to develop firming capacity), will result in tangible improvements in the volatility of energy prices by this time next year.

So … where's all the solar?

Given the volume of grid scale solar installations in New Zealand, you could be forgiven for thinking that solar stands ready to plug the gap left by fossil fuels. But the country has been a late comer to solar, which currently only contributes around 2% of our overall energy production.

Although the economics of solar stack up on a residential scale, the need for (and cost of) storage makes it a challenging proposition when moved to a grid scale. However, battery costs have fallen by as much as 100% over the last 3 decades and continue to do so. Meanwhile, demand side response systems, including smart meters and internet of things sensors, will increasingly allow grid operators to drive demand to periods of time in which solar is productive.

The result of this is a rapid increase in New Zealand's grid scale developments, which generated about 1.4% of total electricity in 2024 and are soon to be augmented by new developments including a 47MW installation at Lauriston and around 70 further projects currently in development.

Economies of scale

Despite these rapid developments, perhaps the most stark feature of New Zealand's renewable scene is its fragmented nature. The development projects (including the solar developments referenced above) are largely driven by relatively small operators. This lies in stark contrast to the traditional generation market which is dominated by Contact, Meridian, Genesis and Mercury. A diversified portfolio of generating assets is attractive in terms of reducing pricing volatility. Moreover, as the need for additional capex on batteries grows, it seems likely that smaller operators will look to consolidate to share these costs and benefit from economies of scale. The result seems likely to be additional M&A in the sector over the coming 12 months.

Critical, in this context, will be offshore capital which, as highlighted, in our recent 2025 M&A Expanding Horizons Report, has come to regard New Zealand as a safe haven for capital and a sandpit for new technologies.

The Report surveyed 90 offshore investors who have recently invested in New Zealand, and revealed a striking increase in market sentiment to last year, with unprecedented investor confidence amid global uncertainty.

International investor confidence in New Zealand has reached its highest level since 2019, with nearly half (49%) of offshore investors considering an acquisition in the next 12 months.

Energy transition and RMA reform: key updates from Government

In October, the Government released a Statement on Biogas signalling its commitment to diversify New Zealand's energy mix. Biogas is a low-emission fuel which can be used to generate heat and power for onsite operations and generate electricity to feed into the network.

We expect the Government to introduce its proposed RMA replacement legislation, the Natural Environment Bill and the Planning Bill, in early December. We will be writing more on this topic soon.

Simpson Grierson in action: recent energy transactions

Our national energy team continues to advise on transactions shaping NZ's renewable future:

Centralines solar joint venture

We acted for Centralines on its joint venture with Lodestone Energy to develop the Ongaonga Solar Farm in Central Hawke's Bay. This partnership combines Centralines' local network expertise with Lodestone's renewable development capability to advance grid-scale solar in the region.

Northpower's strategic acquisition

We advised Northpower on its acquisition of Connell Contractors, a move that strengthens Northpower's civil and construction capability to support New Zealand's expanding energy infrastructure needs.

Kowhai Park solar farm

We acted for Orion for the connection of the first project in the Kowhai Park renewable energy development near Christchurch Airport. This is a 168 MW solar farm being developed by Contact and Lightsource bp, currently the third biggest solar project in New Zealand. Construction is underway and the solar farm is expected to be operational in 2026.

These transactions reflect the consolidation and capability-building we're seeing across the sector as New Zealand scales up renewable generation.

Powering investment: New Zealand's evolving energy landscape

2025 has been a year of fast-paced regulatory reform in the energy sector, particularly for electricity. This will continue through 2026. A "perfect storm" of increasing energy prices, increasing electricity demand and intermittent generation, and a fast decline in domestic natural gas supply for flexible generation, has focused policymakers' attention on ways to protect and improve the future reliability and affordability of energy in New Zealand.

The Energy Competition Task Force (Task Force), established in response to the 2024 winter energy crisis, is progressing a suite of initiatives aimed at enhancing competition, improving market access, and strengthening resilience in New Zealand's electricity sector. In May, the Government released the much-anticipated Frontier Economics report into electricity market performance and the Government's proposals in response to it. We expand on these initiatives and developments below.

Energy Competition Task Force

Package 1 of the Task Force's work programme focuses on increasing market competition by enabling new generators and independent retailers to enter and compete more effectively.

- **Non-discrimination rules:** The Electricity Authority (EA) introduced mandatory non-discrimination obligations for the major gentailers: Genesis, Contact, Meridian and Mercury. These rules aim to prevent the gentailers from giving preferential treatment to their own retail arms in the provision of electricity hedge contracts.

  Initially, the rules will be principles-based and will apply from July 2026. However, the EA says there will be more detailed and prescriptive rules in future if the principles-based approach proves insufficient.

- **Standardised flexibility products:** The EA introduced a new standardised super-peak hedge contract, meaning the hedge contract applies to the trading periods of highest demand, typically occurring during weekday mornings and evenings. This product began trading in January via fortnightly facilitated trading events. However, the EA is concerned about low trading volumes, and is now proposing to amend the Code to force the major gentailers to increase their participation, through new mandatory market-making obligations.

- **Virtual disaggregation of flexible generation:** As a backstop, the Task Force is exploring mechanisms to virtually separate flexible generation from the major gentailers to reduce market power concentration.

Package 2 focuses on empowering electricity consumers by expanding their choices and enabling more active participation in the energy market.

- **Consumer-supply rebates and buy-back:** From April 2026, electricity distributors must pay rebates when households and small businesses supply power to the network at peak times. Similarly, from July 2026, large electricity retailers (with 5% market share or more) must offer plans that reward consumers for supplying electricity at peak times by buying the electricity back. These initiatives aim to incentivise the use of rooftop solar and battery storage. Allied to this, the EA recently consulted on proposals to remove arbitrary export limits on distributed generation.

- **Time-varying retail pricing for consumption:** From July 2026, large electricity retailers must offer at least one time-of-use pricing plan, allowing consumers to benefit from lower prices during off-peak hours and better manage their electricity costs.

- **Reward industrial demand flexibility:** In May, the EA consulted on several options to incentivise large electricity users to temporarily reduce their electricity consumption at peak times or times of system stress, including development of a standardised, tradeable demand-response product and introducing an emergency reserve scheme.

  The EA decided to go ahead with an emergency reserve scheme, in the form of a new emergency reserve ancillary service, in time for winter 2026.

  The EA will soon appoint a technical advisory group to help design a standardised demand-response product.

Government response to the Frontier Economics Report

The Government acknowledged the Frontier Economics Report's central finding that the current market design is unlikely to deliver sufficient investment in dry-year backup generation, necessitating targeted intervention. In response, the Government announced two workstreams, which overlap with the work of the Task Force and EA.

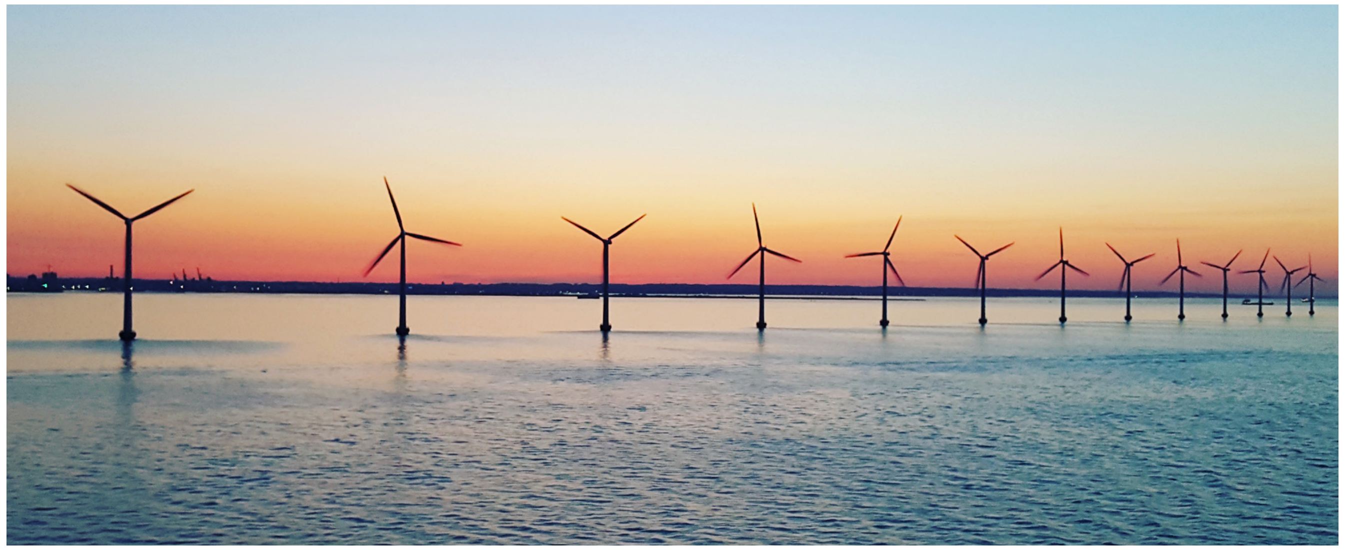
Workstream 1 - invest in energy security:

- **Liquified Natural Gas (LNG) import facility:** In response to New Zealand's dwindling domestic natural gas supply, a competitive procurement process is underway to establish an LNG import terminal. Some commentators doubt the economics of LNG imports to New Zealand will stack up given the size of the investment required.
- **Capital flexibility:** The Government will remove capital constraints to enable the mixed ownership model gentailers (Genesis, Meridian and Mercury) to invest in new generation projects, including thermal firming capacity.
- **Government demand as a catalyst:** The Government will leverage its sizeable energy demand to support new energy projects through long-term purchase agreements.
- **Electrify NZ:** A programme to double renewable energy by 2050, supported by fast-track consenting, offshore wind legislation and resource management reforms.

Workstream 2 - build stronger markets:

- **Reducing sovereign risk:** Tools like Government indemnities, co-investment and public-private partnerships to provide increased certainty for investors.
- **Strengthening the EA:** New information powers and obligations for the EA, higher pecuniary penalties for Code breaches (potentially increasing from $2m to $10m or three times commercial gain), and faster rulemaking to enhance regulatory oversight.
- **Improving market transparency and efficiency:** Measures to increase data access and hedge market liquidity (the latter spearheaded by the Task Force).
- **Distribution efficiency:** These are reforms to improve electricity distributor efficiency, including the EA's work to streamline distributors' connection processes (Code changes effective late 2026) and introduce distribution connection pricing methodologies for load (Code changes effective April 2026 and April 2027), and a relaxation of existing restrictions on distributors' involvement in generation connected to their own networks. Related to this, we are assisting Electricity Networks Aotearoa to produce a suite of industry standard agreements for the connection of large generation and load to distribution networks.

We expect to see more detail on these workstreams in 2026.



To the displeasure of some industry players, the Government rejected several of Frontier Economics' more radical proposals, such as creating a new centralised Crown entity to manage thermal fuel and firming capacity, removing electricity from the Emissions Trading Scheme, and divesting Crown shareholdings in the major gentailers.

Other developments

- Strategic energy reserve Huntly firming option: In November, the Commerce Commission approved a 10-year agreement between the major gentailers, under which Contact, Meridian, and Mercury will pay Genesis for access to notional generation capacity from Genesis' coal/gas-powered Huntly Power Station. This agreement secured the medium-term future of Rankine Unit 2 at Huntly, and the Commission found that the public benefits of that, including improved security of electricity supply and lower wholesale prices, outweighed any potential reduction in competition. Genesis committed to making unallocated capacity at Huntly available to third parties, including independent retailers, which the Commission will be monitoring.
- Battery participation: Utility-scale batteries, including aggregations of smaller batteries, have the potential to contribute significantly to electricity reliability and affordability. Utility-scale batteries are in the early stages of deployment in New Zealand and penetration remains low, but greater uptake is expected post-2025 due to falling technology costs, increased electrification and the need for firming resources. In June, the EA published a regulatory roadmap setting out the EA's battery work programme over the next two years. The initiatives in the roadmap are aimed at making the Code more hospitable to batteries. Some of the initiatives have already been completed, including changes to the ancillary services procurement plan to support batteries' participation in reserves markets. The EA is currently consulting on changes to the wholesale market rules in the Code to reflect the unique characteristics of batteries.

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