Submission by

WORLD ENERGY COUNCIL | BusinessNZ Energy Council

to

EECA

on the

Updates to EECA's targeted investment approach

30 April 2025

Updates to EECA's Targeted Investment Approach

– SUBMISSION BY BUSINESSNZ ENERGY COUNCIL—

Introduction

1. BusinessNZ Energy Council (BEC)[1] is pleased to have the opportunity to provide feedback on the Energy Efficiency and Conservation Authority (EECA) working paper titled *Updates to EECA's Targeted Investment Approach*.

2. BEC represents a diverse array of leading energy-sector businesses, government bodies, and research organisations dedicated to creating a sustainable, equitable, and secure energy future.

3. As a brand of BusinessNZ, New Zealand's largest business advocacy organisation, we represent the World Energy Council in New Zealand, aiming to shape better outcomes for our wider energy system both locally and globally.

4. BEC supports the work undertaken by EECA in supporting 'clean and clever' energy projects and supports the introduction of new co-investment models.

5. BEC acknowledges that in the goal of reducing risks and uncertainties for investors there are issues in investment going into projects that are not sound particularly if the models are to be used throughout adoption stages.

6. There are risks of creating debt dependency, inefficient resource allocation, distorting competition, loan defaults and market instability.

7. However, as businesses are forced to move away from gas due to diminishing supply it has become necessary for government to provide access to capital to facilitate transition into alternative and economically efficient fuel sources.

Key Recommendations for EECA

- Move to implement concessional loans on the basis of reducing financial barriers for businesses to move away from gas to more energy efficient and economic sensible solutions.

- Avoid energy saving guarantees and loan underwriting due to ineffectiveness or added risk.

- Consider market-enabling reforms to complement direct investment. Lower regulatory barriers that hinder new energy technologies and practices, allowing innovation and competition to drive cost reductions and efficient resource use instead of relying on public funding.

General discussion

[1] More about BEC in APPENDIX One

8. EECA is considering three alternative co-investment models to support the development and uptake of new energy-efficient technologies and practices.

9. The proposed co-investment models are; concessional financing, energy savings guarantees, and loan underwriting.

10. Similar co-investment models have been trialled internationally, including in the United States[2], Germany[3], and Australia[4]. These programmes have supported the deployment of clean energy technologies and helped de-risk early-stage investment. They do often, however, face a common critique: public funding can be allocated to projects that would have proceeded without government support.

11. This raises concerns about additionality and the efficient use of taxpayer money. In some cases, co-investment has also been accused of crowding out private capital, distorting market signals, or favouring established firms over emerging competitors. These examples highlight the importance of carefully targeting any government intervention to avoid inefficient or duplicative spending.

12. In the New Zealand context some of these issues are mitigated as businesses cannot access private investment due to high costs of transitioning from gas to electricity. The issues do highlight the need for stringent criteria surrounding the approval of loans and guarantees.

13. Concessional financing involves offering loans on more favourable terms, such as lower interest rates or extended repayment periods, to encourage investment in projects that may otherwise be considered too risky or unprofitable.

14. While concessional loans carry the risk of debt dependency, lengthy approval processes and a lack of incentive for efficient resource allocation. These risks can be mitigated through clear eligibility criteria and strong oversight. When targeted appropriately, concessional loans can play a key role in the adoption of technologies that improve energy efficiency. **Given the current situation and the need for alternative energy supply, BEC supports the introduction of concessional loans.**

15. Energy savings guarantees (ESGs) involve a commitment from the financer (EECA) to ensure that a specified level of energy savings is achieved. If the expected savings are not realised, EECA would compensate the investor, reducing the financial risk for the technology adopter.

16. Measuring energy savings can be difficult due to external variables, making the reliability of such guarantees, particularly when based solely on new uptake, uncertain. Poorly designed guarantees risk distorting market competition by favouring specific technologies. For these reasons **BEC does not support the implementation of ESGs**.

17. Loan underwriting occurs when EECA guarantees part of a loan, absorbing some of the associated risk. This can help enable investment in projects that might otherwise struggle to secure financing due to perceived risk, lack of proven success, or insufficient collateral.

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[2] US Department of Energy. Loans programs office. Accessed 14.4.2025. https://www.energy.gov/lpo/loan-programs-office

[3] KFW. Our financial products. Accessed 14.4.2025. https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Tasks-and-goals/Unsere-Finanzprodukte/

[4] CEFC. CEFC Investment Policies. September 2024. https://www.cefc.com.au/document?file=/media/xc2f42tt/cefc-investment-policies-2024.pdf

18. Like any financial tool, credit risk remains a concern, particularly in the electricity sector, where revenue from generation or storage is often delayed or uncertain. Additionally, sovereign risk stemming from shifting climate policy creates uncertainty in the regulatory landscape. These concerns can be managed through more conservative underwriting standards, ongoing monitoring and alignment with broader energy strategies.

19. Despite this **BEC does not support the implementation of loan underwriting** as it is generally most effective for higher-risk, higher-reward projects and not the comparatively lower risk transitional projects that these tools should be aimed at.

20. Market reluctance to invest in certain projects may reflect genuine barriers, such as information asymmetries, lack of scale or policy uncertainty, rather than inherent lack of return. Co-investment mechanisms help address these challenges by signaling government confidence, reducing perceived risk. With appropriate design, they can bridge the gap between innovation and commercialisation without creating long-term dependence on public funding.

21. In addition to financial tools, EECA should explore opportunities to reduce regulatory barriers and improve market conditions for investment. Co-investment and regulatory reform are complementary strategies. By combining financial support with policy certainty and streamlined approvals, New Zealand can create an environment that rewards innovation and accelerated the transition to a low-emissions economy.

APPENDIX ONE – BACKGROUND INFORMATION ON THE BUSINESSNZ ENERGY COUNCIL

The BusinessNZ Energy Council (BEC) is a group of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future.

BEC is a brand of BusinessNZ and represents the World Energy Council in New Zealand. Together with its members, BEC is shaping the energy agenda for New Zealand and globally.

BusinessNZ is New Zealand's largest business advocacy body, representing:

- Regional business groups: EMA, Business Central, Canterbury Employers' Chamber of Commerce, and Business South

- Major Companies Group of New Zealand's largest businesses
- Gold Group of medium sized businesses
- Affiliated Industries Group of national industry associations
- ExportNZ representing New Zealand exporting enterprises
- ManufacturingNZ representing New Zealand manufacturing enterprises
- Sustainable Business Council of enterprises leading sustainable business practice
- BusinessNZ Energy Council of enterprises leading sustainable energy production and use
- Buy NZ Made representing producers, retailers, consumers of NZ-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development (OECD).