ASIA

NEW ZEALAND

ENERGY ISSUES IN MOTION

In 2025, **affordability** has emerged as the top critical uncertainty in New Zealand's energy landscape, overtaking **infrastructure** concerns that were a primary focus in 2024. Low hydro levels and a diminishing gas supply have placed significant pressure on energy costs, with affordability now seen as having the highest degree of impact despite ranking below **carbon pricing** in terms of outcome uncertainty. Carbon prices in New Zealand have been bumpy over the last few years due to a combination of factors. The Emissions Trading Scheme (ETS) is the primary mechanism in NZ for cardon pricing, but government interventions have created instability. This combined with an oversupply of New Zealand Units (NZUs) and investor hesitation has made carbon price movements in NZ unpredictable leading to the uncertainty shown in the country's issues map. As New Zealand continues its decarbonisation efforts, the carbon price is an important component driving the countries efforts towards net-carbon-zero by 2025.

New Zealand aims to achieve net-carbon-zero by 2050. Initially, gas will be used to ensure security during peak usage periods while increasing the share of intermittent renewable electricity generation. However, unexpected declines in gas field production, capital flight, and sovereignty risk created by uncertain government positions have compromised this role. In dry years, gas can no longer adequately fill the gaps in electricity demand, exacerbating supply uncertainties and driving up spot prices for large consumers. This subsequently intensifies the challenge of affordability, especially for industrial users who are increasingly subject to fluctuating costs. While grid-scale storage and demand response growth could mitigate supply risks during dry years and increasing intermittent electricity supply, industrial gas users will continue to face challenges in finding alternative supply. Significant investment is required, and in the short term, energy prices remain vulnerable to upward pressures. Due to these challenges, energy-intensive industries such as manufacturing and agriculture may face production constraints, impacting economic growth and competitiveness within commodity markets.

Since the 2024 iteration of the World Energy Issues Monitor, **infrastructure** concerns have diminished in uncertainty but remain a high-priority action item alongside **transmission grids**. The coalition government's 2024 budget allocated a significant portion of funding toward addressing New Zealand's infrastructure deficit, likely contributing to the decreased uncertainty. However, the **trilemma management** has become an area of growing concern, increasing in both uncertainty and priority of action. This shift is closely tied to **affordability** issues, as rising costs impact energy equity, while concerns over reliable gas access also contribute to heightened security risks. With limited gas supplies, the energy sector urgently needs alternative secure, affordable, and sustainable solutions. Meanwhile, **demand management** remains a pressing issue in 2025, with looming gas shortfalls raising the prospect of large industrial users having to limit production to reduce overall demand.

FROM BLIND SPOTS TO BRIGHT SPOTS

One of the key blind spots in New Zealand's energy landscape continues to be **community engagement. Societal engagement** and **energy literacy** rank low on the country's issues map for perceived uncertainty and impact, yet these factors are crucial in ensuring public support for energy initiatives. The World Energy Council (WEC) has highlighted that neglecting local sentiments can stall or derail projects, reinforcing the need to 'humanize energy' and better align political will with citizen needs. Addressing this blind spot requires a sustained effort to improve communication between suppliers and consumers, fostering a two-way dialogue that ensures energy policies reflect diverse needs and perspectives.

Public by-in and support for energy infrastructure projects can be greatly improved through projects like Denmark's community wind farm ownership models. This joint ownership not only helped finance but actively encourage development. Within New Zealand there are more than 260 small scale community energy projects[1] like this beginning to take place with Energise Ōtaki being a good example.

While **affordability** has dominated the conversation in this year's data, it is important to recognise that other issues have not been overlooked. The spread of concerns across various dimensions is reflected in the clustering of issues around the centre-point line on New Zealand's Issues Map, indicating a broad awareness of multiple challenges within the energy sector.

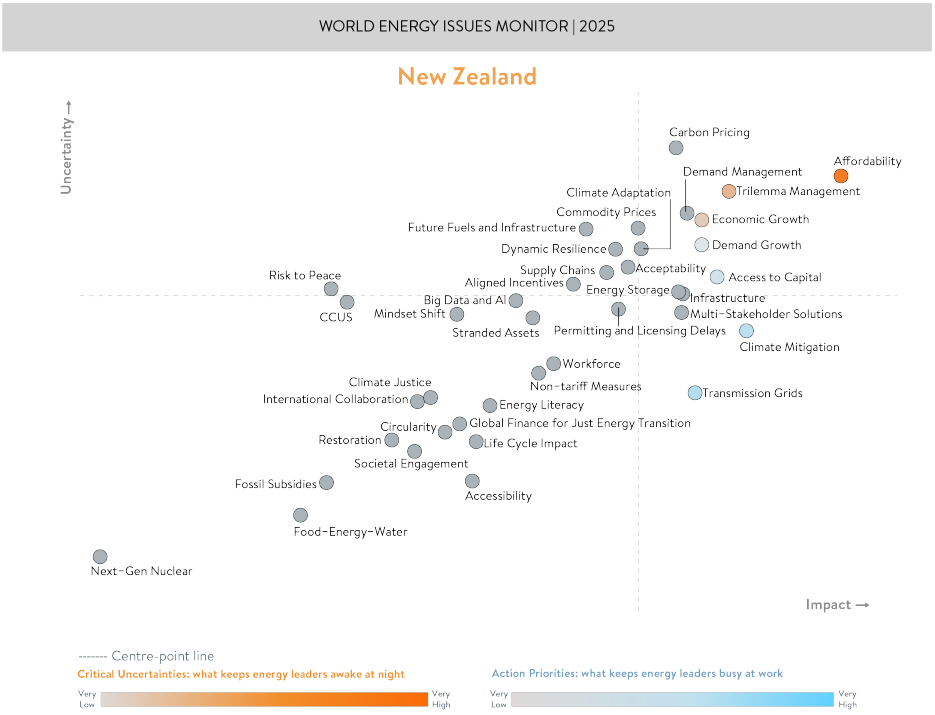
Despite the challenges facing its energy sector, New Zealand continues to be an early mover and innovator. The country's abundant renewable energy resources position it well for ongoing transition efforts, and the combined efforts of private and public enterprises have helped leverage diverse stakeholders to tackle emerging challenges. While concerns persist regarding gas sector shortfalls, rising peak electricity demand, and blackout risks, demonstrated in 2024, New Zealand remains resilient. It ranks among the top ten countries in balancing the energy trilemma, a testament to its strong regulatory framework and adaptability in the face of evolving energy needs.

ADDRESSING CRITICAL UNCERTAINTIES TO BALANCE THE ENERGY TRILEMMA

Affordability remains the dominant uncertainty impacting New Zealand's **energy trilemma**, as rising prices threaten energy equity and make it increasingly difficult for households and businesses to manage costs. This growing concern over affordability aligns with the increased uncertainty surrounding **trilemma management**, now one of the top critical uncertainties reflected in the 2025 Issues Map.

Alongside affordability, two key action priorities, **climate mitigation** and **transmission grids**, underscore the importance of sustainability and security. Strengthening New Zealand's transmission grid is essential to meeting future energy demands. As the country progresses toward its goal of net-zero emissions by 2050, electricity demand will continue to rise, necessitating robust infrastructure to ensure efficient energy delivery from generation to end users. In the long term renewed investment into supply sources such as geothermal, wind and solar, combined with improved storage and grid efficiency will help address challenges. These will take time to implement to a degree great enough to fill the gaps and so in the short-term demand-response measures and incentivising industrial flexibility will be critical steps in ensuring grid stability. Addressing these priorities will be vital in maintaining a balanced and resilient energy system for New Zealand's future.

ISSUE	POSITIONING	TRILEMMA	INSIGHTS
Affordability	Critical Uncertainty	Equity	Affordability concerns driven by spiking prices create a degree of worry surrounding energy equity.
Climate Mitigation	Action Priority	Sustainability	Mitigating the risks posed to climate degradation caused by the energy sector, through the adoption of renewables improves sustainability.
Transmission Grids	Action Priority	Security	Improving and enhancing the performance and reliability of transmission grids improves both the security of buyers in obtaining energy and sellers in reaching their markets. This is due to transmission grids being crucial for maintaining the stability and reliability of the grid.



Acknowledgements

New Zealand Member Committee