WORLD ENERGY COUNCIL | BusinessNZ Energy Council

A Future Vision of New Zealand's Energy Sector

Summary

2026

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1. Executive Summary

It is the contention of the BusinessNZ Energy Council (BEC) that no modern economy can be productive, competitive or resilient without abundant, reliable and affordable energy.

New Zealand has been blessed with energy resources that have historically supported economic growth, industrial development and high living standards. However, these advantages cannot be taken for granted. The country, and the world, are going through a period of rapid change and without deliberate action there is a risk that we will fail to convert our natural strengths into enduring economic advantage.

In 2025 BusinessNZ released a report titled "New Zealand 2050: A Long-Term Vision", which identified abundant, affordable and clean energy as one of New Zealand's "X-Factor" opportunities. Building on that work the BEC saw it was important to explore what is needed to realise that opportunity, and identify the steps needed to be taken to ensure energy remains a foundation for New Zealand's long-term economic success and social well-being.

The central conclusion of this report is that New Zealand cannot afford to continue to treat energy as a standalone sector. Energy is long-term economic infrastructure that enables almost all aspects of the economy. It influences the cost of doing business, the competitiveness of exporters, the viability of industrial investment, living standards and national resilience. Within this context affordability, security, productivity and sustainability must be carefully balanced.

The challenges that the energy sector faces are relatively well understood. The electricity system remains exposed to dry-year risk while also having to address electrification and demand growth at a scale not seen for many years. Indigenous natural gas supply, which has long supported North Island industry and electricity security, has declined and placed cost pressures on consumers. Liquid fuels remain critical to freight, agriculture, tourism, construction and essential services, but these fuels remain vulnerable to international supply shocks and price volatility. Compounding these challenges are persistent uncertainties around future prices, infrastructure availability, technology pathways and the underlying long-term direction of government policy.

New Zealand nevertheless continues to have substantial advantages over many of our competitors. Our electricity system is highly renewable by international standards, supported by flexible hydro generation, firm geothermal, growing wind and solar capacity and significant technical and institutional capability. We also have biomass and biogenic resources and existing fuel and network infrastructure.

The report considers the challenge the sector faces through the lenses of productivity, investment and future opportunity. Productivity is not just about simply using less energy. It is about creating greater value from the energy New Zealand produces and consumes. Energy efficiency and demand side flexibility could both contribute to productivity.

Executive Summary cont.

The investment challenge extends across the entire energy system. Generation investment depends on network access, consenting, market signals and confidence in future demand. Network investment depends on credible expectations about where and when generation and load will emerge. Energy users need confidence in future prices, availability, settings and infrastructure. Emerging fuels require coordination between feedstocks, production, infrastructure and credible long term-demand. The hardest challenge is not just about whether or not investment is occurring, but whether it is the right mix, in the right places, at the right time.

Markets should undoubtably remain the primary mechanism for investment and operational decisions. Government should not seek to centrally plan the energy system or direct ordinary private investment. But there is an important role for government in providing durable policy direction, good information, efficient regulation, enabling infrastructure and coordination.

The full report identifies the areas where action is most needed and presents a consolidated plan for progressing them. These include improving electricity security and firming, investigating whether current settings are unnecessarily increasing costs, clarifying the transition pathway, improving coordination, supporting productive energy use and ensuring that established government decision-making processes appropriately recognise the wider benefits and costs of major projects.

If New Zealand can get the settings right, then the size of the prize is significant. Secure electrification, supported by the right mix of generation, firming and flexibility will unlock value for consumers across the economy. It can reduce exposure to imported fuels and provide a platform for new investment.

Secure, competitively priced and increasingly low-emissions energy can also help retain, strengthen and expand New Zealand's industrial and export base. It can support more domestic processing, higher-value production and regional employment. Treating liquid-fuel security as national infrastructure and a core component of New Zealand's national security, while developing credible domestic and/or regional pathways, will reduce New Zealand's exposure to global fuel supply shocks over time and help retain value in New Zealand.

We already possess many of the resources and capabilities required to make energy a durable competitive advantage. What is needed now if to convert those advantages into affordable and secure supply, productive investment, stronger exports, greater resilience and higher living standards. Failure to act risks not only slower decarbonisation, continuing New Zealand's weak productivity growth, reduced industrial capability and a massive lost economic opportunity.

2. Recommendations

2.1 Major findings and priority recommendations

1

Finding one

Energy must be treated as long-term economic infrastructure, not only as a stand-alone sector, supported by stable and credible policy settings that reduce sovereign risk and enable long term investment.

Priority recommendation

Develop an enduring, national energy strategy that explicitly balances affordability, security and sustainability while enhancing productivity. If a comprehensive bipartisan energy strategy is not achievable look to depoliticise key energy issues though an entity such as the infrastructure commission.

2

Finding two

New Zealand's renewable advantage is real but is not a guaranteed economic advantage.

Priority recommendation

Strengthen market and regulatory settings for firming, flexibility, demand response and long-duration storage to ensure renewable energy remains secure and reliable.

3

Finding three

Affordable and predictable electricity prices are essential to enable electricity to act as a decarbonisation pathway and support industrial investment.

Priority recommendation

Review policy or market settings that may be unnecessarily increasing electricity costs or weakening the viability of electrification as a decarbonisation pathway. Specifics are discussed in the full report.

4

Finding four

Investment certainty and coordination are now critical system needs.

Priority recommendation

Improve coordination across generation, transmission, distribution and major demand through forward-looking infrastructure planning, coordination mechanisms and clearer long-term signals.

5 Finding five

Resource consenting and potential government support for major energy projects should recognise both the wider benefits and the system costs created by those projects.

Priority recommendation

Where government is making decisions on resource consenting, fast-track approvals or enabling infrastructure, existing assessment processes should appropriately consider additional energy supply, system flexibility, domestic economic benefits and the infrastructure costs associated with the project. It should complement, rather than duplicate, existing regulatory and cost-benefit processes for investment.

6 Finding six

Energy efficiency should be treated as a core productivity lever and this means embedding efficiency in national goals, setting clear targets, and ensuring policy settings encourage efficient energy use even in a future where prices fall significantly.

Priority recommendation

Maintain currency of energy performance standards while expanding guidance, voluntary audits, and information on energy systems optimisation for energy intensive firms, with a focus on helping businesses identify cost-effective efficiency opportunities, track performance and embed energy management into normal business decision-making.

2.2 Consolidated Action Plan

The table below consolidates the principal actions identified across the productivity, investment and future opportunities workstreams. It is intended to provide a clear line of sight between the priority recommendations above and the steps required to deliver them.

The actions are listed in a way that they are expected to be progressed. Early actions focus on improving information, reducing uncertainty and clarifying key system assumptions. This is followed by actions focused on strengthening investment signals, coordination and regulatory settings. With the later actions focusing on enabling longer-term structural change and economic opportunity.

	Action	Timing	Related priority
A1	Commission independent economic analysis of the interaction between the NZ ETS and marginal wholesale electricity pricing, including impacts on electricity prices, industrial competitiveness, investment and national emissions.	Immediate	PR3
A2	Assess whether alternative carbon-cost recovery mechanism could ensure the electricity system meets the direct cost of emissions without unnecessarily amplifying electricity prices, while preserving efficient dispatch and investment signals for renewable generation, storage, demand response and firming.	Following A1	PR3
A3	Review and update New Zealand's electricity security standards and assumptions to reflect current and expected demand growth, hydro behaviour, gas availability, thermal plant availability, renewable generation, storage and demand side flexibility.	Immediate	PR2
A4	Assess the future requirement for firm and flexible electricity capacity under a range of future scenarios.	Near term	PR2
A5	Investigate market and regulatory settings that could improve investment confidence in firming, storage, flexible generation and demand response, including longer-duration contracting and better valuation and use of existing resources such as hydro.	Ongoing/ near term	PR2, PR4
A6	Develop a clear and regularly updated transition pathway for natural gas, including expected domestic supply, the role of gas in electricity security and industrial use, and the expected development of alternative fuels and technologies.	Ongoing/ immediate	PR1, PR4
A7	Improve the availability and coordination of information on future energy supply, demand, infrastructure, fuel availability and major projects, building on existing work by Transpower, Gas Industry Co and other agencies.	Near term	PR1, PR4
A8	Identify and address barriers to longer-duration energy contracting, including power purchase agreements and other arrangements that provide greater confidence for suppliers and users.	Near term	PR2, PR4
A9	Continue to develop an integrated view of future generation, transmission, distribution and major demand through a national development map or equivalent coordination mechanism.	Medium term	PR4
A10	Examine whether current funding, approval and cost-allocation settings enable network infrastructure to be built ahead of need where there is a credible wider economic case, while continuing to protect consumers from inefficient overinvestment.	Medium term	PR4
A11	Improve regulatory settings for non-network solutions and more efficient network delivery, including demand response, distributed generation, storage, dynamic pricing and distribution system operation.	Near/ medium term	PR2, PR4
A12	Strengthen support for businesses undertaking cost-effective energy efficiency, electrification and fuel switching investment, including advice, audits, monitoring, energy systems optimisation and access to relevant technical capability.	Ongoing	PR6
A13	Support demand-side management through smart technology, pricing and contracting arrangements that allow businesses and households to shift or manage energy use where this reduces costs, improves utilisation, and lowers system costs without unnecessarily reducing output.	Near term	PR2, PR6
A14	Maintain and update energy performance standards, ratings and information so that households and businesses can make informed decisions when replacing equipment, upgrading or investing in new technology.	Ongoing	PR6

A15	Improve coordination between productive electrification and electricity supply and network investment, including developing greater national consistency in the consenting, technical and pricing requirements applied by EDBs and councils to public charging infrastructure.	Near term	PR4
A16	Assess whether existing policy and funding settings, including the gas transition loan underwriting scheme, adequately supports commercially credible industrial transition investment and recognises the wider economic value of retaining industrial capability.	Near term	PR1, PR4
A17	Align energy infrastructure planning more closely with major processing, manufacturing, export and regional development opportunities, including the electricity, gas, liquid-fuel and emerging-fuel requirements of key regions.	Medium term	PR1, PR4
A18	Assess where energy costs, infrastructure constraints, transition requirements or unequal exposure to carbon and regulatory costs are placing trade-exposed domestic firms at a material disadvantage or increasing the risk of deindustrialisation or offshoring.	Near term	PR1, PR3
A19	Clarify New Zealand's long-term liquid fuel resilience requirements, including the roles of stockholding, import agreements, demand reduction, electrification and commercially credible domestic or regional alternative fuel supply.	Medium term	PR1
A20	Develop commercially grounded pathways for emerging fuels where there is credible demand, feedstock, infrastructure and national benefit, including mechanisms to address early supply-demand coordination and offtake barriers.	Medium term	PR1, PR4
A21	Review whether existing resource-consenting, fast-track and enabling infrastructure processes appropriately recognise the wider system benefits and costs of major projects. Any changes should be integrated into existing decision-making processes.	Near term	PR5
A22	Identify and support regional energy and industrial hubs that coordinate energy supply, feedstocks, infrastructure, demand, skills and anchor projects. Building the capability and repeatable delivery methods needed to consent, finance, connect and deliver projects at pace.	Medium/ long term	PR1, PR4, PR5

About BEC

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.

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How do we add value?