

26 February 2026

Hon Simon Watts  
Minister for Energy  
Minister of Climate Change

### **Meeting with Energy Resources Aotearoa on 5 March 2026**

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Attendees: John Carnegie – Chief Executive  
Angela Parker – Policy Director, Downstream Energy & Climate

#### **Key messages**

- **system pressure is easing in response to recent policy announcements, but system vulnerability will remain until a LNG terminal is delivered.** A persistent focus on market responses is needed to ensure that electricity is being delivered to end consumers at the least cost
- **the LNG announcement will help address fuel shortages** but is a bridging measure, not a long-term substitute for domestic natural gas investment and pro-LNG policies should, where possible, be applied to domestic gas production
- **we welcome the news that the Government is looking at ways to insure investors against adverse future policy changes that place today's investment at risk**
- **work to strengthen regulatory powers must be mindful of the additional costs they will incur.** Gas market disclosures and Non-Discrimination Obligations risk creating more uncertainty and deterring investment
- **the Net Zero Accord demonstrates industry is already reducing operational emissions** and enabling customer decarbonisation. We would welcome a collaborative low-emissions accord with Government to achieve transparent, mutual obligations

#### **The system realities**

1. Electricity demand is projected to grow significantly with electrification and anticipated technological advancements. We welcome the renewable build-out that is projected to occur in the next few years and the help that has spurred this on from the Government's changes to, for example, consenting and planning

legislation, and the decision to sign PPAs to help provide the demand needed to induce build of new generation.

2. You are correct to call out the problem of adequate fuel supply as the crux of our energy system predicament. Intermittency is increasing system volatility. Gas currently provides dry-year cover, peaking capacity, and industrial heat.
3. We see alignment in the recently announced Government ambitions to accelerate renewable generation and improve system resilience and security. However, investment confidence remains contingent on:
  - a clear long-term signals about the role of gas in firming;
  - b system costs imposed on the industry through things like information disclosures; and
  - c coherence across regulatory systems such as climate, electricity, wider energy and resource management policy settings.<sup>1</sup>
4. Finally, it is also worthwhile noting that investment confidence is more likely to be achieved through a clear (and enduring) understanding of the role of government. While often difficult to achieve, investment predictability can often arise by the government doing less, not more.

### **LNG and associated storage**

5. We support the announcement on an LNG terminal in Taranaki. Neither batteries nor renewables can currently provide long sustained back-up power when required. Without sufficient firming we will continue to see prices rise, reliability decline, industrial users facing more price exposure, with more closures and job losses. And even higher household bills. No-one wants this. Investment is needed from every angle of the energy system.
6. Investment in an LNG terminal must not be seen in isolation of the need for new storage infrastructure. This will be needed to ensure the smoothing out of the lumpiness of LNG incremental delivery with domestic need.
7. We appreciate the speed at which the Government is working to deliver it, but once built, it must be allowed to find its place in the generation merit order in an unfettered way alongside other fuels such as domestic gas and coal. Forecasts of delivered prices suggest that even with the ability of the generators to optimise fuel and technology choices, it is likely to be used only as cover in dry-years, which is the Government's policy objective.

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<sup>1</sup> For example, not trying to encourage greater supply of indigenous local gas while also subsidising natural gas users from switching to other fuels.

8. Positively, forward electricity prices have already started tracking down. While difficult to draw causality, this seems to reflect the market's response to the announcement with a reduction in the risk premium associated with fuel availability. However, the flipside to decreasing forward prices is less ability to invest in new generation.
9. Finally, in order to ensure that indigenous local natural production isn't unduly disadvantaged in the process of developing the LNG infrastructure and associated fuel market, we are keen to explore what benefits could flow back into the petroleum sector from the policy tools applied to unlocking LNG.
10. We would like to know your expectations for the timing and coverage of the LNG legislation, the *Enabling Liquefied Natural Gas Bill*.

### **Sovereign indemnities against significant adverse policy changes**

11. As signalled in recent news coverage<sup>2</sup>, we welcome the Government's pledge to engage openly with investors ahead of the development of any formal regulatory framework, and is prepared to consider commercial and risk-sharing arrangements to unlock supply of new energy. We have long advocated for this as a necessity in rejuvenating investor confidence in the absence of policy stability across the Parliamentary aisle.
12. This is an important shift to ensure that investments today are kept whole tomorrow under a different Government. Markets fail to produce an optimal outcome when capital markets cannot price the risk of policy instability, particularly when considering the future ability to firm renewable energy and fuel our industrial base.
13. For this approach to succeed, and quickly, potential investors will require clarity on the outcomes. As we understand it, the Government is looking for commitments to bring new secure energy into the system. Investors need to understand factors such as:
  - a the types of investment being covered and their timeframes (is it intended to stabilise short-term domestic supply or something longer term);
  - b the range of triggers that will cause the insurance to be called; and
  - c an ability to quantify or put guardrails around the contingency.<sup>3</sup>

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<sup>2</sup> See: <https://www.nzherald.co.nz/business/companies/energy/government-mulls-insuring-electricity-investors-against-a-political-u-turn-on-fossil-fuels/premium/5YPZJL52IZFSPJYZW7S46M2DE/>

<sup>3</sup> Methodologies exist from other jurisdictions prone to the expropriation of assets by government. Our desktop analysis suggests that almost every major new oil & gas contract in Africa, the Middle East, and parts of Latin America and Asia since 2005 contains an economic equilibrium or restoration clause to protect investors.

14. Early alignment with potential investors and guidelines regarding the approval criteria will allow credible, commercially grounded proposals to emerge quickly and reduce the risk of protracted negotiation.

### **Information disclosure for gas and electricity producers**

15. We understand that legislation is being considered for enhancing gas market transparency, including new information requirements for gas operators. We remain wary of such proposals as inevitably, suggestions to gather information are neither costless nor ultimately useful. Often the information is already available in a different form. This also comes at the same time gas producers are trying to reduce their costs to facilitate more investment in supply.
16. Likewise, non-discrimination obligations proposed by the Electricity Competition Taskforce risk imposing unnecessary costs that will deter investment. We urge caution in using a heavy-handed approach. Our members are sceptical of the benefits and weary of the constant tinkering by the Government in electricity market settings.

### **Carbon Capture and Storage (CCS) regime**

17. We are pleased that the Government has decided, consistent with our advice, to not only prioritise the development of a CCS regime, but to do so under its own bespoke legislation at some time this year.
18. We are mostly satisfied with the approach proposed by officials but we have some concerns about certain elements that we plan to raise with you. Some of these concerns, particularly in relation to liabilities and guarantees, we consider could be 'show-stoppers' for the viability of future CCS projects. You will receive a letter from us setting out our concerns soon.

### **Climate policy changes**

19. We support the Government's ambition to reduce emissions. Our focus is on delivery that is practical and economic. The NZ ETS is operating as expected, but we anticipate some further critique of it in the election year. Largely, this is due to the NZ ETS acting in a volatile, even hostile, energy market. The steps the Government is taking now may help to curb some of that unpredictability.
20. We support the proposed changes to the Climate Change Response Act and the Climate Commission. These are aimed at reducing duplication, consultation, and making the Commission more focused on meaningful advice.

### **Energy Resources Sector Net Zero Accord 2025 update**

21. Thank you for the opportunity to update you on progress under the Energy Resources Sector Net Zero Accord. The Accord demonstrates that our sector is

not standing still. Emissions are falling while our sector continues to underpin system reliability and economic activity. Even without CCS, the results are humbling.

22. We have observed, through the data and case studies, significant progress under the Net Zero Accord. Upstream emissions have fallen significantly since 2010 driven by electrification, efficiency, and operational improvements. Venting and flaring have been dramatically reduced. Emissions from natural gas and LPG have declined greatly even as they continue to support industrial heat and peak electricity demand.
23. Our members are investing in renewable generation and fuels, and carbon capture technologies *where they are economic*. The market has not seen as much demand for renewable energy as in previous years. We think this has been driven by affordability concerns.
24. To take this further, we could work together with Government on a Low Emissions Accord. This would give us mutual obligations that are transparent and measurable. This would provide investment predictability and long-term durable policy settings.

### **Fireside chat at Downstream 2026**

25. It was a pleasure to host you at our Ministerial breakfast where we all enjoyed hearing your latest thinking on the energy system and how it needs to evolve. Feedback has been very positive from our members and friends.
26. Our next engagement is our fireside chat at Downstream 2026 on 1 April at Takina, in Wellington.
27. The programme covers a wide range of energy issues: Technology and AI, demand flexibility, fuel diversity, accelerating renewables, and strategy and settings. As you might expect, my focus will be on fuel diversity and how it relates to energy security and affordability, with a system-wide perspective.
28. We will be in touch with your office to arrange the details.