Energy Resources Aotearoa
POWERING A BETTER NEW ZEALAND TOGETHER

energyresources.org.nz
energyskills.org.nz
energymix.co.nz
PO Box 25259, Wellington 6140

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New Zealand Infrastructure Commission

Feedback on draft National Infrastructure Plan

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios such as infrastructure policy and operational settings. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net-zero carbon emissions by 2050.

2. This document constitutes our feedback on New Zealand's draft National Infrastructure Plan ('the Plan'). We have focussed on aspects of most relevance to the energy sector.

3. Our submission does not address the questions as they are put in the feedback form. If you would like a follow-up conversation on the discussion questions that could be arranged.

Key messages

4. We agree with the infrastructure and development problems identified in the draft Plan and the need for a national plan which provides a long-term view, focussing for now on the public sector lifting its game. Central government is the largest owner and funder of infrastructure and sets the rules, so should be an exemplar of good practice.

5. The draft Plan should adopt a systems-based and fuel agnostic approach to energy infrastructure. This will preserve the flexibility that we need to have a resilient energy system with a mix of reliable energy sources available.

6. It should more explicitly acknowledge the importance of a well-functioning energy system to a high performing economy and the accepted future role of natural gas in it. To achieve this, the Plan needs to more clearly recognise the significance of thermal generation (e.g., gas peaking) and its associated infrastructure (e.g., gas pipelines) in firming intermittent renewable energy sources, like solar and wind.

7. Building consensus and policy consistency over time is critical to the success of future infrastructure planning. This will require the Commission to work alongside industry, including the energy sector, and other political parties to establish broad and enduring bipartisan support for the future direction of travel.

Submission

Our views on the energy system, its infrastructure and the problems with development

8. We have long advocated for a systems-based and fuel agnostic approach to energy infrastructure. Infrastructure development needs to be done in a way that recognises and acknowledges the interconnectedness and dependencies across the energy system, and the risks associated with taking a reductionist view[1] of what is a complex system.

9. The problems in relation to infrastructure and development are relatively clear. As noted in the draft Plan, while New Zealand is in the top 10 per cent of the OECD for investment on infrastructure over the last decade (spending 5.8 per cent of GDP), the quality of what we get for it is comparably low. We are in the bottom 10 per cent when it comes to getting 'bang for buck' for our spending, so there is ample room for improvement.

10. These problems have played out time and time again with major energy projects, including those for renewable energy such as wind and solar farms. Research by the Infrastructure Commission has shown that New Zealand is likely to miss the 2050 emissions targets from the energy and transport sectors by 11-15 per cent *due to consenting delays* (even under optimistic scenarios with unconstrained consenting resources).[2] Much of our existing energy infrastructure was built with support from government, including the gas transmission system in the North Island. In our view, it would be nearly impossible for anything of significant scale to be developed by any party in today's policy environment, at least not without huge costs and significant delays.

11. The draft Plan acknowledges that, with a relatively small but dispersed population (similar to greater Sydney but spread over 21 times the area), paying for and building infrastructure to a high standard can be challenging. But we put hurdles in our way through our regulatory environment and short term and reactive planning. We agree that central government (which owns around 40 per cent of our total infrastructure stock) also needs to lift its game. The draft Plan states that half of last year's Budget proposals did not have a business case and half of government agencies do not have asset registers.

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1 'Reductionism' is the practice of analysing and describing a complex phenomenon (in this case the energy market) in terms of its simple or fundamental constituents, especially when this is said to provide a sufficient explanation.

2 See https://tewaihanga.govt.nz/our-work/research-insights/infrastructure-consenting-for-climate-targets.

Background to the draft Plan

12. We submitted on the discussion document that informed the development of this draft Plan. Our submission covered the essential role of energy distribution systems and developing our indigenous natural resources for a vibrant and prosperous economy.

13. We recommended that the Commission adopt a 'build **and** maintain' approach to preserve the flexibility of our existing energy infrastructure. We also supported the development of this Plan, but emphasised how critical bipartisan support was for its success.

Our views on the draft Plan

14. The Infrastructure Commission makes 19 recommendations in the draft Plan to turn New Zealand's infrastructure development woes around, focussing on funding (5 recommendations), clearing the way for infrastructure (7), maintenance (3) and right-sizing investment (4).

15. The draft Plan appears to reflect our thinking stating at the outset that maintenance *and* renewal of what we already have is our biggest investment driver, but that we also need to keep building and improving infrastructure.

The importance of flexibility for energy policy and infrastructure

16. We consider that preserving flexibility and all the options that we need to have a resilient energy system with a mix of reliable energy sources available is paramount to energy infrastructure development.

17. The role of natural gas in our future energy system is widely accepted. The Government has very clear policies to support this on getting new gas to market as quickly as possible and revitalising the petroleum sector and gas reserves over time. This is evident in the recent passing into law of the Crown Minerals Amendment Bill, which not only reversed the ban but also restored the promotional intent of the Act, and also in the $200 million co-investment fund announced in the Budget. The Climate Change Commission, while noting the need to transition to lower carbon energy sources, acknowledges the ongoing importance of natural (fossil) gas in a net-zero carbon economy.[3]

18. The draft Plan does not sufficiently recognise the importance of a diverse energy system to a growing economy. There is some brief discussion on the need for consistent energy policy[4] in a subsection covering the importance of a predictable policy environment, which is also clearly relevant for policies on

[3] The CCC advice to Government is available at: https://www.climatecommission.govt.nz/public/Inaia-tonu-nei-a-lowemissions-future-for-Aotearoa/Inaia-tonu-nei-a-low-emissions-future-for-Aotearoa.pdf.

[4] In the section 'Set up infrastructure for success: The operating environment' at pages 81-82.

natural gas to encourage investment in gas generation options, but this focuses mostly on the reliability and affordability of electricity and the benefits of electrification.

19. There is recognition of the 'dry year risk' and need for policies to mitigate this. It is also acknowledged that thermal generation is needed for back up and that further measures to support investment in 'firming' are needed,

20. The draft Plan could more explicitly acknowledge the vital role that natural gas (and for that matter, coal) will continue to play in the security of our electricity system, providing crucial 'peaking' and 'firming' to back up other less reliable intermittent energy sources, such as wind and solar. Gas infrastructure, particularly the reticulation network in the North Island, is also critical for new and some renewable fuel sources such as LNG and biogas. There is no discussion on how maintaining and developing this infrastructure should be prioritised to support energy options and managed transitions in the energy sector.

21. There is an energy related recommendation on policy stability that states:

> "Energy investors have predictable policy and consenting settings that support affordability, security of supply, and the decarbonisation of our economy."

22. We agree that 'affordability' and 'security of supply', two of the three pillars of the energy trilemma, should be paramount considerations. Past policies focussed solely on the decarbonisation of the economy have, however, led to the current energy shortages. This objective should have less relative weighting compared to the others considering the context and priorities of today, or even be replaced, perhaps with the third broader pillar considering 'sustainability' or reference to our net zero carbon target by 2050. One suggestion would be the following:

> "Energy investors have predictable and durable energy, climate and consenting policy settings that allow the competitive delivery of affordable and secure energy to end users, on the journey to a lower carbon future."

23. The commentary on the recommendation notes that this would require policy and operational changes to be implemented and that further work is needed to shape the Commission's advice. The feedback we have provided could help to inform the final Plan in relation to this recommendation and we would be happy to work further with the Commission on this.

Facilitating an enabling regulatory environment

24. The Plan states that we need to find ways to better manage demand, and generators need an enabling consenting environment[5]. There is also a general recommendation on the importance of this.

25. The Government's proposals to update some of the national directions, particularly the development of a new *National Policy Statement for Infrastructure*, should help to improve the regulatory environment for infrastructure development. However, as we said in our submission, this should be done in a way that is fuel agnostic and focusses on the purpose of the resource management regime, which is to manage effects. The current framework for national directions does not do this as it singles out renewable electricity generation and transmission for preferential treatment.

The importance of consensus and durable solutions

26. As we have said before, New Zealand's reputation as an investment destination with stable policy settings took a big hit after the 2018 offshore ban was implemented. We have a long and difficult road back to address the perception of sovereign risk beyond the next election cycle.

27. The Plan is supposed to look out over what is needed and what we should be spending over the next three decades. It should inform long-term central and local government decision-making and infrastructure planning. To give industry the confidence to invest in the people, technology and equipment that is needed to build more efficiently, consensus and policy consistency across the aisle is critical.

28. In launching the draft Plan, Minister Bishop spoke of the importance of bipartisan support. We wholeheartedly agree. He stated that he wanted to work alongside industry and other political parties to establish a broad consensus. He had encouraged the Commission to brief all political parties, would be writing again to relevant infrastructure spokespeople and also asking for a special Parliamentary debate on the Plan.

Conclusion

29. It is pleasing to see the work that is going on across government to try and address the longstanding issues that New Zealand has had with infrastructure development. This draft Plan is a useful contribution to the debate and provides some valuable signals on the direction of travel, particularly how government must get its own house in order.

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[5] At page 81.

https://environment.govt.nz/news/consultation-on-updating-rma-national-direction/
https://www.energyresources.org.nz/dmsdocument/349
https://www.beehive.govt.nz/release/minister-welcomes-launch-draft-national-infrastructure-plan

30. The Plan should have a greater emphasis on the importance of a diverse energy system for our future energy security, and the critical role of thermal generation and its associated infrastructure in that system. To do this, it needs to acknowledge the future role of natural gas in a net-zero carbon economy that is reflected in current Government policies and the advice of the Climate Change Commission.

31. The value and future success of the Plan depends on building and maintaining consensus. We, and the rest of the energy sector, welcome the opportunity to further contribute to developing that shared vision.