March 2025

Green Paper

Updates to EECA's targeted investment approach

EECA
TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY

Contents

1. Context for this Green Paper

EECA is introducing new financial mechanisms to accelerate 'clean and clever' energy use projects in New Zealand.

To date, EECA has offered capital grants and loans to businesses and public organisations to support projects that improve energy efficiency and reduce operating costs.

We are broadening our range of co-investment mechanisms to enhance government **value for money** while continuing to help address market barriers to adopting energy efficient technologies and practices. New Zealand faces specific, persistent challenges in unlocking domestic capital and attracting foreign investment due to the scale and structure of our market and the mismatch between what investors are seeking in terms of risk, return and scale and the opportunities available.

EECA has a unique set of characteristics that enables us to be highly effective in creating finance solutions that deliver significant benefit for investors while ensuring great outcomes are being achieved at minimal cost to the Crown.

We are now looking to test new initiatives, employing a range of funding products, some that are still conceptual and others at the pilot stage.

The purpose of this green paper is to:

- set out EECA's new co-investment models and describe the barriers each product is looking to overcome
- provide questions about the models to prompt feedback from businesses and other financial sector stakeholders.

Your feedback will be invaluable in helping shape up future co-investment approaches to achieve best value for Crown investment, optimising support for energy users and generate insights to leverage and continuously improve going forward.

To further broaden our range of financial support offerings, EECA is also looking to partner with financial institutions. Recognising the importance of their financial expertise and administrative capacity, while also managing risk and leveraging our market knowledge, these partnerships would aim to maximise the impact of Crown loans and facilitate access to private capital for businesses.

For example, this could involve banks offering loans to businesses, with EECA underwriting or offering savings guarantees, among other possibilities. EECA could also offer subject matter expertise, enable catalytic funding, supporting the diffusion and growth of sustainable financing.

The partnership expansion of our targeted investment is still at very early stages, your submissions - feedback and ideas - will help inform this work as it starts to evolve.

Default means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Transaction Documents or any combination of any of the foregoing) be an Event of Default.

2. About EECA

The Energy Efficiency and Conservation Authority (EECA) is a Crown entity, established under the Energy Efficiency and Conservation Act 2000 (the Act). As set out in the Act, EECA exists to “encourage, promote, and support energy efficiency, energy conservation, and the use of renewable sources of energy”.

We are a delivery agency, a regulator, and an authority for energy use. Our aim is to build a smart and efficient national energy system that balances affordability, prioritises reliability and resilience, increases productivity, and achieves positive environmental outcomes.

To deliver on our strategic objectives we -

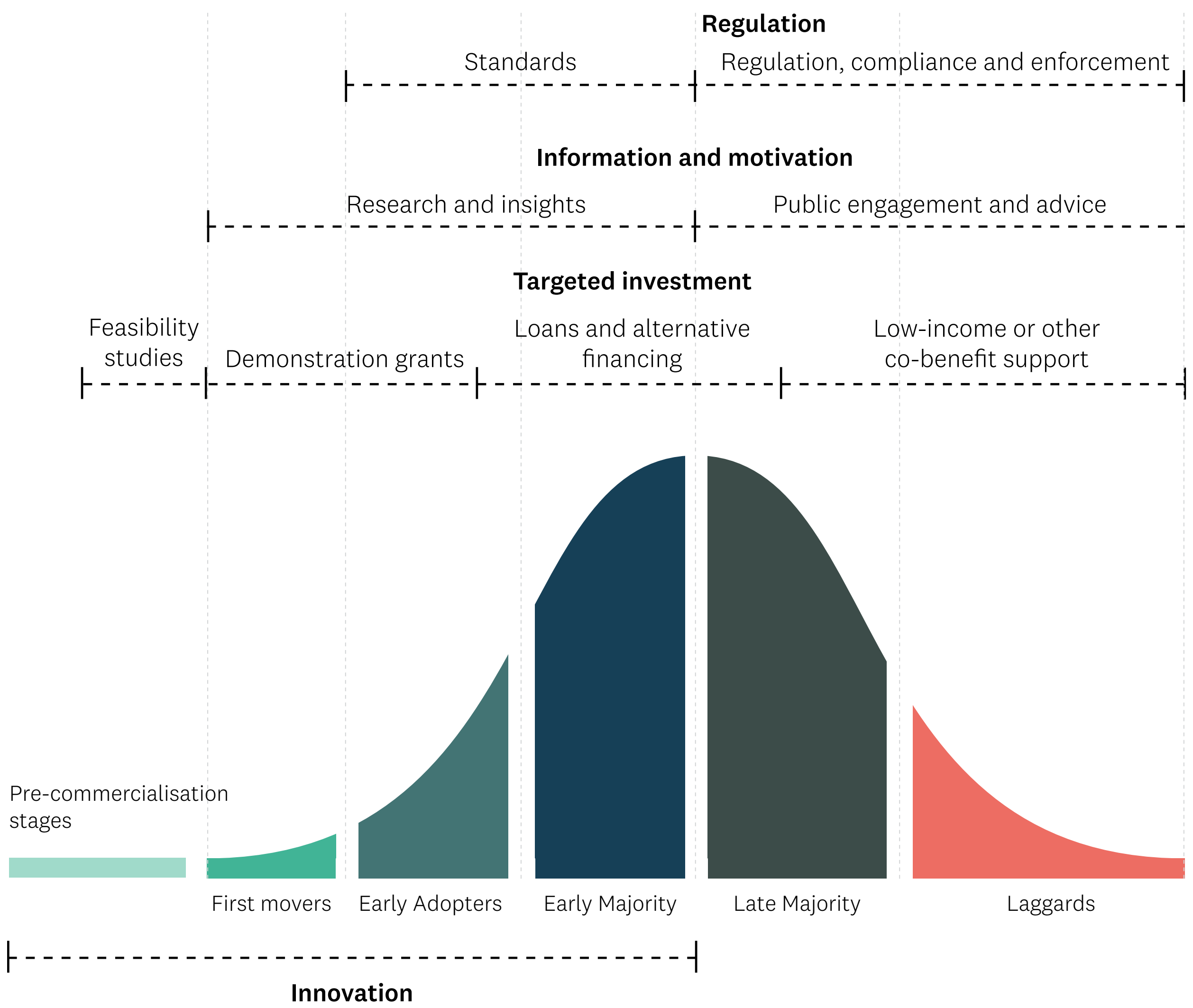
1. Use **regulations and standards** to ensure that New Zealanders have access to and are encouraged to use the best performing new products and technologies available internationally. Regulations and standards include for vehicles – for home, commercial and industrial use, saving money and energy.
2. We provide evidence-based **information** to New Zealanders and to businesses to help them make informed clean and clever energy choices – lowering energy bills, improving productivity, and futureproofing for a clean and secure energy economy.
3. We use our expertise to facilitate and catalyse **targeted investment and support** that addresses significant, evidenced market barriers for the adoption of clean and clever energy technology.

3. Co-investment models

There are a variety of co-investment models used in New Zealand and around the world for energy use, each designed to tackle specific market barriers to investment in the energy sector's demand side. These models include options such as concessionary loans, energy audits, energy savings guarantees, co-funding and grants for demonstration, as well as efforts focused on coordination and information sharing. Although the options may differ, the goal of all these co-investment approaches is to reduce risks and uncertainties for investors and to encourage broader market participation.

Investment barriers are often linked to how widely a technology or approach has been adopted in the market. This can be visualised through a technology and innovation adoption curve, as shown in Figure One below. The curve illustrates how challenges evolve as a technology moves through different stages of market uptake. As the technology progresses, specific barriers emerge that can guide what kind of support – if any – could be provided by the government or other stakeholders. This model is helpful as it considers that the type of support that is needed depends on the technology's stage of adoption and the associated risks.

Figure One: Technology and Innovation Adoption Curve



Capital grants have proven effective in overcoming initial barriers to adopting energy-efficient technologies, systems, or practices. These grants help recipients achieve energy savings, lower operating costs, and create public benefits. As we look ahead, there's a growing interest in exploring alternative models that can still achieve value for money, while addressing barriers at different adoption stages, based on the specific risks tied to each investment

Alternative models* include:

1. concessional finance
2. energy savings guarantees
3. underwriting investments.

Projects such as technology demonstration at earlier adoption stages require different financial instruments due to the relative immaturity of those technologies and therefore greater risk. This is not unique to energy, challenges faced in scaling new technologies are common across most initiatives.

By exploring these alternatives, we hope to further reduce barriers to investment and help accelerate the adoption of new technologies and sustainable practices, particularly in commercial and industrial settings. Noting as technology evolves, the mechanism(s) that will be most effective for reducing barriers will continue to change.

To consider

1. What risks do you foresee with the below three models?
2. Which models seem most feasible for your business and why?

***Financial Instrument Examples**

Concessional Loans: These are loans offered at 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.

Energy Savings Guarantees: An energy savings guarantee is a commitment made by a service provider or financier (in this case EECA) to ensure that a specific level of energy savings will definitely be achieved through the adoption of energy-efficient technologies or practices. If the expected savings aren't realised, the provider will compensate the investor or cover the difference, reducing the financial risk for the party adopting the technology.

Loan Underwriting: Loan underwriting is when a financial institution or investor (in this case EECA), agrees to absorb the risk associated with a loan, often by providing a guarantee for a portion of the loan amount. This practice helps facilitate investments in projects that might otherwise struggle to secure financing due to risk, lack of proven success or perceived lack of collateral value.

4. Prompts for feedback

1. What potential risks or complications do you foresee with the above financial instruments?
2. Which model/s seems most feasible for your business and why?
3. Do these offerings accurately reflect barriers to entry your business faces?
4. Are these models attractive and do you think they would be effective?
5. What sort of projects do you think would suit the suggested financial models?

5. Conclusion

EECA is seeking your feedback on the proposed financial mechanisms outlined in this green paper, to refine and optimise our approach to accelerating adoption of clean and efficient energy technologies in New Zealand.

By exploring innovative co-investment models such as concessional loans, energy savings guarantees, and loan underwriting, we aim to address market barriers, attract private investment, and achieve energy security and affordability while maximising value for the Crown.

The insights gathered from this engagement will be crucial in shaping future investment strategies that support a smarter, more resilient energy system, ensuring that New Zealand continues to lead in sustainable energy practices. We look forward to hearing your thoughts and ideas to help drive this important work forward. Thank you for taking the time to read this paper and to provide your feedback!

6. Feedback process

EECA (Energy Efficiency and Conservation Authority) seeks your feedback on the models explored in this paper. You are welcome to provide information by directing your feedback and any enquiries to star@eeca.govt.nz. Please use the subject "green paper targeted investment" when emailing.

Feedback closes on **Wednesday, April 30th**.

Official Information Act requirements

Under the Official Information Act 1982 (OIA), information held by EECA is to be made available to requestors unless there are grounds for withholding it. The grounds for withholding information are outlined in the OIA.

If you are submitting feedback on the proposal, you may wish to indicate any grounds for withholding information included in your feedback.

TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY