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Green paper analysis

Updates to EECA's targeted investment approach

TE TARI TIAKI PŪNGAO
ENERGY EFFICIENCY & CONSERVATION AUTHORITY

Green paper analysis

Purpose

This document summarizes and provides a record of submissions received from the Energy Efficiency and Conservation Authority's Green Paper: Updates to EECA's targeted investment approach.

The Green Paper proposed 3 primary financial instruments.

1. Concessional Loans: These involve low-interest or long-term loans designed to reduce upfront cost barriers.
2. Energy Savings Guarantees: EECA would guarantee expected energy savings, thereby reducing financial risk for technology adopters.
3. Loan Underwriting: EECA would guarantee part of a loan to help attract private finance into projects seen as high risk.

Consultation period

EECA released the green paper for public consultation between 22 March and 6 June. Submitters were asked to send written responses to the consultation questions or any other feedback to star@eeca.govt.nz.

Submission received

EECA received six submissions to the Green Paper. These were received from:

1. BusinessNZ Energy Council (BEC)
2. Climate Navigator
3. GeoExchange
4. Vegetables New Zealand Inc
5. Te Hapori Hauora Community Land Trust
6. Facilities Management Association of New Zealand Inc
7. The full submissions are available on EECA's website.

Key messages

- A key theme that came through across submissions was support for concessional loans, because of their ability to scale alongside a project's timeline and size. As well as general agreement that this is an appropriate role for Government.
- Support was also relatively consistent for energy savings guarantees, however this depends on the project, industry and how quantifiable savings would be for each individual case, which can be made difficult due to external factors. It was also suggested by some that this should be undertaken by the energy provider and is not necessarily a role for the government.
- Agreement was universal that the barriers presented in the Green Paper reflect the barriers faced by industry stakeholders. However, extra barriers came through that weren't necessarily represented in the original paper, such as New Zealand specific socio-economic barriers around market familiarity and perceived risk.
- A concept shared by many submitters was that it will take many, sometimes more than one mechanism at a time, to get transition projects to completion. This is dependent on scale, industry size and timeline.

Prompts for response and a summary of answers:

1. **What potential risks or complications do you foresee with the above financial instruments?**

   BEC cautioned that concessional loans could create dependency and inefficient resource allocation if not well-targeted. They also saw energy savings guarantees and loan underwriting as risky, citing issues of market distortion and moral hazard. GeoExchange noted complexity in energy savings guarantees and suggested EECA should not act as the guarantor. Climate Navigator warned that traditional loan models often exclude renters, lower-income households, and those with poor credit. VNZI highlighted that growers operate on tight margins, and political uncertainty around energy policy could undermine investment confidence.

2. **Which model/s seems most feasible for your business and why?**

   All stakeholders agreed that concessional loans are the most practical and immediately impactful. FMANZ emphasized their value for capital-poor facilities. GeoExchange and VNZI identified concessional loans as particularly effective for high-capex projects like geoheat systems or greenhouse upgrades. Climate Navigator stressed that concessional loans would only be inclusive if distributed through community-based lenders.

3. **Do these offerings accurately reflect barriers to entry your business faces?**

   Responses indicated a good alignment between the proposed instruments and actual market barriers. VNZI and GeoExchange confirmed that concessional loans and loan underwriting directly address their inability to finance energy transitions. FMANZ noted that risk perception within internal governance teams is a significant barrier that could be reduced by these tools. Climate Navigator added that standard loan models often miss underserved consumers and recommended inclusive models such as tariffed on-bill programs.

4. **Are these models attractive and do you think they would be effective?**

   There was strong support for concessional loans across the board. Opinions on energy savings guarantees and loan underwriting were more mixed. BEC found both unattractive due to administrative and risk-related concerns. FMANZ found guarantees effective if savings could be independently verified. GeoExchange and Climate Navigator viewed underwriting as a necessary tool to de-risk projects and encourage first movers.

5. **What sort of projects do you think would suit the suggested financial models?**

GeoExchange identified geothermal heating systems and district heat networks as ideal candidates for concessional loans and underwriting. VNZI pointed to covered crop greenhouses needing process heat upgrades. FMANZ emphasized public and commercial building retrofits. Climate Navigator focused on distributed residential energy solutions, especially in lower-income communities, and proposed tariffed on-bill models and social enterprise investment mechanisms to reach this segment.

Discussion

Loan underwriting was the most contested of the three mechanisms. While BEC viewed it as too risky and potentially misaligned with transitional projects, GeoExchange, VNZI, and Climate Navigator strongly supported it, especially in contexts with significant technical risk or financial uncertainty.

Underwriting will still be feasible for certain projects, however none of the respondents undertake projects at a scale that would really suit this mechanism. These could suit large scale projects with perceived risk and a high level of public benefit, smaller private ventures would be much better suited to concessional finance, which was reflected in the responses.

In BEC's submission they broach the impacts of softer barriers. These more attitude-based hesitations to invest - shaped by information asymmetries or policy uncertainty rather than tangible risk, resource or infrastructure issues. This speaks to a need for not just financial solutions, but a suite of initiatives- aiming to inform, appease hesitation and gradually shift social attitudes towards risk in relation to transition projects. EECA will explore this barrier to further understand and design comprehensive solutions.

Several stakeholders also proposed complementary or alternative financing approaches, including tariffed on-bill programs, geothermal risk insurance, and community ownership models. As well as support for a braided approach, in which multiple mechanisms are utilized. This is important to consider, as projects will require different support in different stages of their development, e.g. a project beginning its feasibility studies through to proving concept through to diffusion will have different needs.

Recommendations

- Ensure financial mechanisms are supported by clear policy signals, particularly around energy transition timelines and emissions pricing.
- Prioritize rolling out concessional loan pilots. Loans should be low-barrier, accessible and scalable.
- Pilot energy savings guarantees a limited number of projects with measurable outcomes.
- Use loan underwriting selectively, targeted at sectors with high project or exploration risk or capital constraints.

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