



Regional Infrastructure Fund Position Paper - Energy Security

UPDATED FEBRUARY 2025

This position paper outlines the Regional Infrastructure Fund (RIF) approach to investment in regional infrastructure proposals relating to energy security. The intent is to provide clarity on what the RIF is aiming to achieve for regional energy security (reliability and resilience) and aligning energy affordability across the country.

OVERVIEW

To be eligible, applicants must be unable to access the investment their project requires from other sources. This is to ensure the RIF does not crowd out private investment. Applicants will also generally need to contribute co-funding, including evidence to show they are making the highest contribution that they financially can.

The position papers provide a guide for potential applicants and other stakeholders to support them to identify suitable projects and to frame their applications. Potential projects are not necessarily excluded because they are not covered in a position paper, provided the project meets the RIF eligibility criteria.

The position papers are designed to align with existing Government strategies and policies, and those in development. They will be updated from time-to-time to ensure they continue to align.

FORM OF INVESTMENT

The RIF is a capital fund, meaning loans, equity and other capital investments are the preferred form of funding. Grant funding will only be available in very limited cases, to accelerate projects that don't have a viable source of debt repayment and would otherwise not progress.

Loans, whether concessionary, convertible, or suspensory, are the most preferred form of funding, as they are the most likely to encourage strong commercial incentives on RIF co-investors.

Each project proposal will be assessed against factors such as commercial potential and strategic alignment with the RIF to identify the most appropriate funding option to deliver the best value for New Zealanders.

VISION

The RIF will support regions and communities to develop resilient, secure, reliable, and affordable energy and energy systems to support the wellbeing of communities and enable regions and communities to realise greater economic opportunity.

OBJECTIVES

Through investment in energy-related projects, the RIF will aim to:

- improve regional energy resilience, security and reliability;
- catalyse regional economic activity by investing in instances where a lack of energy infrastructure would otherwise restrict businesses to develop or grow; and
- better prepare communities and regions for climate change risks and impacts.

CONTEXT

A modern, affordable and secure energy system is fundamental to building a stronger and more productive economy. New Zealanders and businesses depend on affordable and secure energy, and increasingly expect their energy to be renewable.

New Zealand's energy system has served us very well to date and our long-term energy outlook is positive. However, the energy system is changing. Throughout the world economies are seeking to lower emissions and to shift to renewable energy. This process is also underway in New Zealand. Industry, transport and other energy users are beginning to switch from fossil fuel-based energy to renewably generated electricity and are wanting access to alternative fuels such as hydrogen and bioenergy.

Energy availability for regional New Zealanders is influenced by global energy production and supply chains, the efficiency of New Zealand infrastructure in delivering energy to end users, and local electricity, geothermal or biofuels energy systems. New Zealand's ability to compete and grow on the international stage is increasingly reliant on our ability to improve the sustainability of our supply chains (with energy being a key input), particularly for our exported products.

Growing geopolitical tensions, and the need to both mitigate and adapt to a changing climate, are necessitating greater focus on regional energy infrastructure investment to enable productivity growth and ensure the wellbeing of communities.

Many communities and regions have experienced the impact of climate change¹: these events are expected to get worse over time and access to energy needs to be secured.

GAPS AND OPPORTUNITIES

There is a growing need for the country's overall energy supply to come from renewable sources. Electrification of transport and industry is expected to contribute significantly to our emissions reductions objectives and targets in the decades ahead. This electrification de-risks New Zealand from its exposure to international fuel but places greater importance ensuring electricity remains available to communities.

There is an opportunity for the RIF to invest in small scale energy infrastructure and technology that helps businesses and communities to reduce risk in relation to energy, produce low-carbon energy that enables economic growth, and supports the development of greater energy self-sufficiency amongst iwi and communities in the regions.

The RIF can complement other government interventions supporting energy investment, such as the Community Renewable Energy Fund and NZ Green Investment Finance (NZGIF), which aims to accelerate lower emissions investment.

INVESTMENT PRINCIPLES

Investment principles provide guidelines for how the RIF will primarily aim to invest in energy security. The RIF may invest in projects that can demonstrate the following attributes:

- Contributes to greater energy resilience, security and reliability in the regions.
- Catalyses economic activity by promoting energy availability for business development.
- Better prepare communities and regions for climate change risks.
- Align with the RIF's objective to enhance Māori economic development.
- Would develop an asset where a commercial solution is not possible but Crown investment would ensure viability.

Investment is typically likely to be alongside iwi and Māori collectives, community groups, private organisations and businesses (including consortiums established for collaborative, innovation purposes) and local authorities in some instances.

RIF INVESTMENT PRIORITIES

Recognising the overarching RIF aims are to improve regional energy security (reliability and resilience) and/or aligning energy affordability with the rest of the country, the following considerations will be used to guide prioritisation:

- Regionally significant transmission and distribution networks' assets (where they support resilience, affordability, and/or enabling outcomes).
- Small-scale renewable distributed generation (including solar PV and battery systems), micro-grid projects, community/neighbourhood batteries, and Māori-led energy solutions.
- Energy storage capability/capacity to be accessed during emergencies.
- Grid connection to consumers and industries.
- Development of emerging or novel energy resources and supply chains with significant potential to transform energy security and regional industry (e.g., biomass supply chains).

¹ The North Island Weather Events in early 2023 estimated to have caused between \$9 and \$14 billion of damage. See: [Impacts from the North Island weather events - Information release - 27 April 2023 \(treasury.govt.nz\)](https://www.treasury.govt.nz/impacts-from-the-north-island-weather-events-information-release-27-april-2023).

- Infrastructure and enabling assets that develop emerging energy technologies (e.g., supercritical geothermal resources).

PRIORITISATION OF REGIONS

Identifying priority regions for energy investment will enable the RIF to maximise its impact – this list should not, however, preclude specific projects of benefit being identified and considered in other regions. Regional prioritisation will be assessed through four key lenses:

- Electricity network characteristics, such as:
 - long ‘stringy’ networks with resilience or capacity constraints
 - remoteness from significant existing generation
 - a lack of one or more significant urban customer bases to spread transmission and distribution costs
 - lower overall reliability or resilience present in the system.
- Electricity affordability – where high electricity costs and lower median household incomes coincide and/or where investment could alleviate supply constraints to improve affordability.
- Exposure to natural hazards – where regions have higher frequency of severe weather-related events and the energy system is more likely to be impacted or damaged.
- Regions that self-identified energy as an investment priority – energy was self-identified in seven regions, and two self-identified infrastructure more broadly.

PROJECT ASSESSMENT CONSIDERATIONS

Depending on the type of investment, the following factors may also be used when considering and assessing energy sector proposals:

- Risk of unintended consequences, such as:
 - crowding out investment in lower cost energy infrastructure
 - creating adverse implications or risks for connected infrastructure
 - inadvertently increasing electricity prices for customers in the region
 - imposing future costs on communities or consumers they are not well-placed to absorb (e.g. operating and maintenance).
- Compatibility of asset ownership structures and cost recovery with existing regulatory regimes (e.g. Commerce Commission).
- Availability of, and possible competition for, feedstocks that a project may depend on, including (in particular) natural gas and woody biomass.
- Ability to integrate proposed projects into existing infrastructure.
- Preference for firm generation over intermittent generation.
- Creating the opportunity to defer or remove investment requirements in other regions or other parts of the network.
- Project timeframe for delivery of benefits.
- Regions that self-identified energy as an investment priority.

TYPES OF PROJECTS THAT THE RIF WILL NOT INVEST IN

Commercial projects with significant revenue generation opportunities that are able to source the majority of their capital from private lenders are out-of-scope (except where all sources have been exhausted, in which case equity investment strictly on commercially-equivalent terms may be appropriate to achieve broader outcomes).

The RIF will not prioritise investment in the following areas:

- Funding solely to build new distribution network or transmission infrastructure on the national grid (which is maintained by Transpower and its investment interests), other than where a project would enable other regionally significant assets.
- Large-scale, commercial generation (e.g., gas turbines, hydro, solar and wind farms).
- Research and development activities for energy. However, projects focusing on applying and developing pilots based on recent research will be considered.
- Education campaigns about energy use.