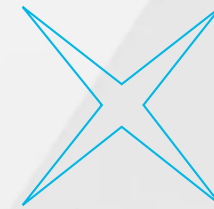




CENTRE FOR  
**Sustainable  
Finance**  
TOITŪ TAHUA

# Accelerating Novel Financing Solutions for Abundant, Affordable, Clean Energy



*Better Business Case: Indicative Business Case (IBC)  
Supporting Business with Fuel Switching*

December 2025

## Purpose

- ❑ The purpose of this pack is for CSF to provide decision-makers with early indication of a recommendation that will enhance New Zealand business survivability by enabling businesses that rely on gas to accelerate fuel switching to electric or bio alternatives.
- ❑ The recommendation is to establish a Business Resilience Programme (BRP): a scheme that will enable the finance sector to provide fit-for-purpose blended financing through the leveraging of government financial support. This should be combined with the technical and informational expertise of government entities to maximise deployment, impact, and ultimately reduce dependence on gas.
- ❑ A Business Resilience Programme will:
  - ❑ Enhance business survivability, enabling commercially viable gas-using businesses to navigate the energy supply crunch.
  - ❑ Prevent deindustrialisation and GDP destruction, which are risks if businesses are left to close.
  - ❑ Save jobs through the retention of businesses.
  - ❑ Support regional prosperity in towns where gas-using businesses account for significant employment.
  - ❑ Generate electricity demand growth and provide a clear investment signal for renewables developers.
  - ❑ Accelerate the growth of the biomass and bioenergy sector and supply chain.

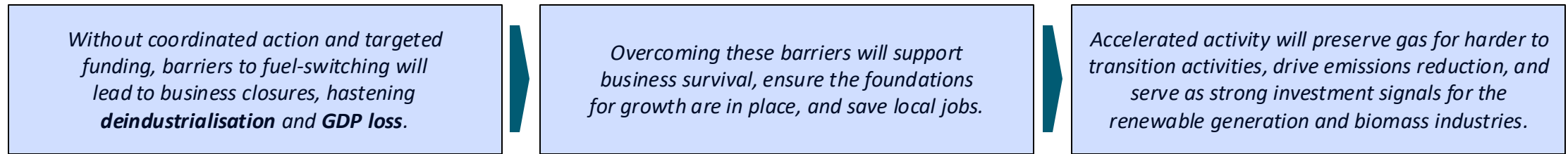
*Note: Due to the indicative nature of the business case detailed in the pack, certain areas remain intentionally incomplete (this is especially the case where detailed analysis is required).*

## Executive Summary

- ❑ Through partnership with CSF, the Government has been exploring the development of novel financing solutions that can accelerate progress towards abundant, affordable, clean energy for all. This pack details a solution developed as part of that work.
- ❑ **Strategic case:**
  - ❑ Inaction on process heat risks forced deindustrialisation and GDP destruction. Targeted public investment and coordination, in the form of a Business Resilience Programme (BRP), can leverage government financial support to deliver fit-for-purpose blended financing for businesses, enhancing business survivability and positively impacting public finances.
  - ❑ Gas consumption for industrial energy use reduced by 18PJ (30%) between 2020 and 2024; BCG estimate that a further 15PJ reduction, driven by closures, could risk up to \$14bn of GDP.
- ❑ **Economic case:** An appropriately structured and targeted Business Resilience Programme can support business cashflows, reduce economic uncertainty and lower the cost of capital through efficient use of the crown balance sheet and the crowding-in of private capital.
- ❑ **Commercial case:** Utilising the private sector network, processes and expertise for delivery enables greater reach, within a shorter timeframe, whilst reducing governmental running costs, maximising scheme effectiveness.
- ❑ **Management case:** There is opportunity to leverage the deployment of previous schemes – both in New Zealand and overseas – to ensure effective delivery; learnings from domestic schemes should particularly shape operational design.
- ❑ **Financial case:** Detailed financial analysis is to be undertaken as part of the next phase of the project - this will be progressed pending agreement to develop a detailed business case.
- ❑ **Action required:** Minister for Energy and Minister of Climate Change to direct MBIE and MfE to engage CSF to provide specialist support across the work currently underway in this space.

## Strategic Case

**Inaction on process heat risks deindustrialisation and GDP destruction. Targeted public investment and coordination, in the form of a Business Resilience Programme (BRP), will aid business survivability and strengthen public finances.**



- ❑ The market failure - fuel switching projects are often deprioritised or not progressed due to a combination of: involving significant levels of capex; being highly complex and multi-faceted; generating minimal economic upside vs. current financial performance.
- ❑ However, domestic gas supply is declining and price increasing; otherwise viable businesses may not be able to affordably secure the energy needed to maintain operations.
- ❑ The result is that businesses are closing and will continue to close, with second order impacts up and down the value chain. The current market dynamics also result in sub-optimal allocation of remaining gas reserves.
- ❑ There is opportunity for the government to play a vital role by establishing a Business Resilience Programme, sustainably and efficiently utilising the crown balance sheet whilst leveraging the private sector financial infrastructure to de-risk, mobilise and crowd-in private capital that can enable long-term viable businesses to navigate the energy supply crisis. In addition, government entities (e.g. EECA) can utilise existing insights and expertise to coordinate action so that abundant, affordable, clean energy is achieved at lowest overall cost to the system.
- ❑ In recent weeks BCG, Optima Energy Management Solutions, the Gas Working Group (under the industry led Energy Transition Framework) have all recommended that government take targeted, strategic actions, including de-risking and providing business support where needed, to address the market failure that is leaving and will continue to leave many businesses critically exposed.

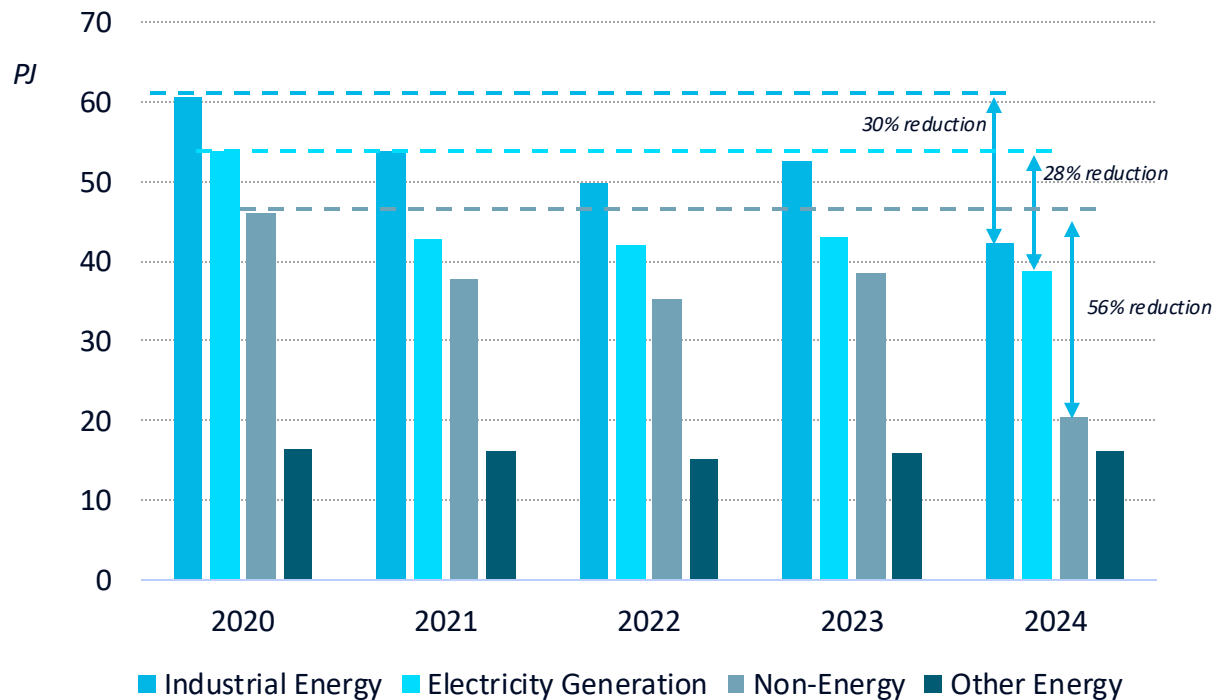
## Strategic Case

Gas consumption for industrial energy use reduced by 18PJ (30%) between 2020 and 2024; BCG estimate that a further 15PJ reduction, driven by closures, could risk up to \$14bn of GDP.

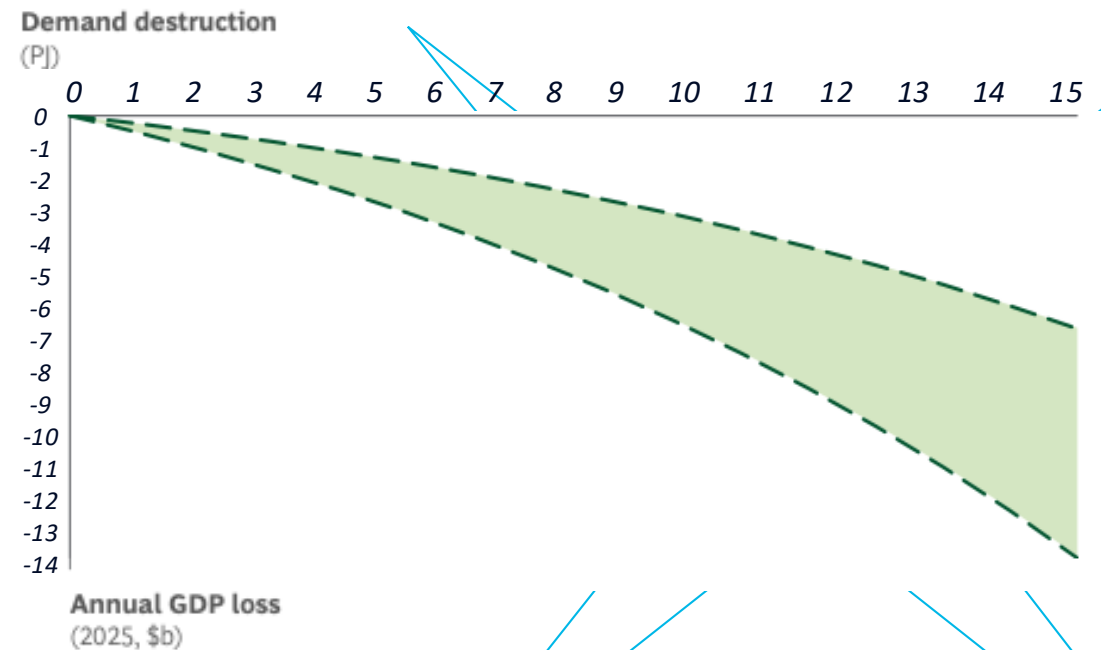
Industrial energy remains the largest use of gas in New Zealand, however this has declined 30% between 2020 and 2024, in part driven by deindustrialisation.

Industrial businesses consumed over 42PJ of gas in 2024 with supply expected to half in the next 5 years; a 15PJ reduction in demand (if driven by deindustrialisation) could risk up to \$14bn of GDP.

Annual Gas Use<sup>1</sup>



Estimated GDP impact of industrial exits<sup>2</sup>



1: [Gas Statistics, Energy in New Zealand 2025 – MBIE](#); 2: [Energy to Grow, BCG](#)

## Economic Case

**An appropriately structured and targeted Business Resilience Programme can support business cashflows, reduce economics uncertainty and lower the cost of capital through efficient use of the crown balance sheet and the crowding-in of private capital.**

❑ Financial solution design to date has included consideration of grants, debt contribution, and debt guarantees.

**Government Grants** → Highest impact at a project level but least fiscally efficient; scaling requires substantial volumes of public capital.

**Government Lending** → Strong impact on tenor, cashflows and to a lesser extent cost of capital; relatively fiscally efficient however ties up real capital.

**Government Guarantee** → Lower direct impact (likely no tenor / cashflow benefit); however very fiscally efficient, requiring minimal upfront capital.

*A hybrid approach that combines #2 and #3 is recommended*

	Inaction	Option 1 - Government Grants: Co-fund via grants	Option 2 - Government Lending: Provide a portion of debt	Option 3 - Government Guarantee: Provide a guarantee for private sector debt
Ability to enable sufficient level of project capital	No impact.	Strong for individual projects.	Strong, directly increases capital and unlocks senior lending.	Positive impact, the lower financing costs and reduced credit risk can enable lenders to provide additional project debt.
Impact on project economics	No positive impact.	Most significant; dial moving for businesses awarded grants.	Moderate-high; improves cashflow, tenor and cost of capital.	Reduces financing costs which can be significant, albeit this depends on the project.
Ability to enable long-term debt cost certainty	None.	Limited however reduces the need for long-term debt due to the de-risking that grants deliver.	High; govt. tranche can be set to long-term.	Limited, reduces capital risk but not funding mismatch risk and unlikely to impact.
Ability to support business survivability	None, likely deindustrialisation and GDP destruction.	High for recipients, however limited ability to scale across the system.	High; smoother repayment and lower financing cost improves resilience.	Moderate; more businesses able to access finance, and at reduced interest rates, however limited impact on project economics.
Requirement for public capital	None.	Most significant relative to number of projects / businesses supported.	Moderate; real capital tied up long term.	Limited upfront capital required, likely to become a contingent liability on the crown balance sheet.
Provision of corporate subsidies	No.	Yes.	No.	No.
Level of fiscal leverage	n/a	Low, grants reduce capex for the recipient more so than risk for the lender.	Moderate leverage; crowds in private capital.	High leverage, govt. takes on risk not funding which comes from private sector.
Market transformation potential	None.	Low-medium; lifts early movers but limited in scale.	High; builds financing models, supply chains, and long-term investment capability.	Medium-high, shifts lender confidence and stretches crown balance sheet.

## Economic Case

### In-depth analysis to be undertaken.

Detailed analysis required and pending. We propose to explore a tiered approach to support including a cut-off (i.e. lower relative support for larger businesses, with support only available for businesses up to \$Xm revenue).

	Inaction	#1 Government Grants: Co-fund via grants	#2 Government Lending: Provide a portion of debt	#3 Government Guarantee: Provide a guarantee for private sector debt
<i>\$ Public Capital Provided Upfront</i>	\$0			
<i>Total Fiscal Impact</i>	\$0			
<i>Impact on Govt Net Debt</i>	\$0			
<i># Businesses Supported</i>	0			
<i>GDP Retained</i>	\$0bn	All tbc		
<i>Jobs Retained</i>	0			
<i>PJ Gas Preserved</i>	0 PJ			
<i>CO<sub>2</sub>e Removed</i>	0 CO <sub>2</sub> e			
<i>\$ Public Capital Recovered</i>	n/a			
<i>Net fiscal impact</i>	\$0			

## Commercial Case

Utilising the private sector network, processes and expertise for delivery enables greater reach, within a shorter timeframe, whilst reducing governmental running costs, maximising scheme effectiveness.

- ❑ Designing the most efficient and effective model for delivering financial support involves consideration of key trade-offs.
- ❑ Whilst a standalone fund comes with advantages, the benefits associated with leveraging the private sector are significant; this approach is recommended.

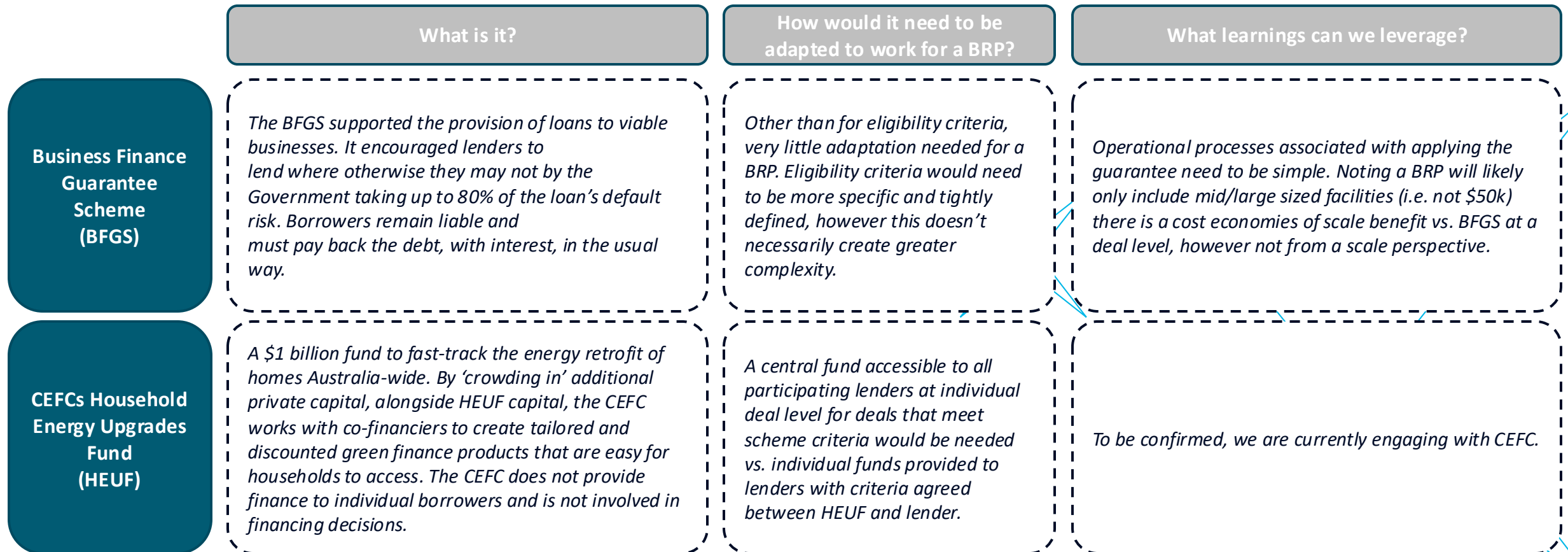
	Strengths	Weaknesses	Design Considerations	Precedence
<p><b>Recommended approach</b></p> <p><b>Private Sector Financial Infrastructure</b></p>	<p>The network, expertise, processes and scale already exist and, in the case of the guarantee, the mechanism is tried and tested.</p>	<p>There is a limited ability to leverage institutional investors and tap into the low-cost source of capital.</p>	<p>Can a govt debt contribution be administered simply through lenders, alongside lender debt? Is there sufficient volume to warrant operational overheads associated with application of a govt. guarantee?</p>	<p>While not identical, the HEUF in Australia combines CEFC debt alongside private sector debt, administered fully through the private sector<sup>1</sup>.</p>
<p><b>Standalone Fund</b></p>	<p>A sizeable fund may be able to attract institutional investors, which could potentially reduce the cost of capital for borrowers.</p>	<p>A new entity needs to be established, or a mandate extended with expertise, processes etc. built up and hired. This is timely and costly.</p>	<p>There would likely need to be an agreed upon investment mandate, risk appetite and returns requirement that works for all investors.</p>	<p>Climate Finance Lab have established a Sustainable Agriculture Finance Facility in Brazil which is very similar in nature.</p>

1: The [Household Energy Upgrades Fund \(HEUF\)](#) is a Clean Energy Finance Corporation (CEFC) fund that deploys capital via commercial lenders to households. The concessionary nature of the capital allows lenders to combine HEUF debt with lender debt to reduce customer interest rates. CEFC collaborate with lenders to set eligibility criteria at the outset and leave day to day operational management with the commercial lender.

## Management Case:

There is opportunity to leverage the deployment of previous schemes – both in New Zealand and overseas – to ensure effective delivery; learnings from domestic schemes should particularly shape operational design.

- ❑ A debt contribution and government guarantee combination would require detailed design, however the Business Finance Guarantee Scheme, as well as the CEFCs Household Energy Upgrades Fund in Australia can be leveraged as blueprints, noting ability of these schemes to leverage the private sector.



## Financial Case:

**Detailed analysis is yet to be undertaken and will be developed pending agreement to proceed. The below information is for directional purposes only.**

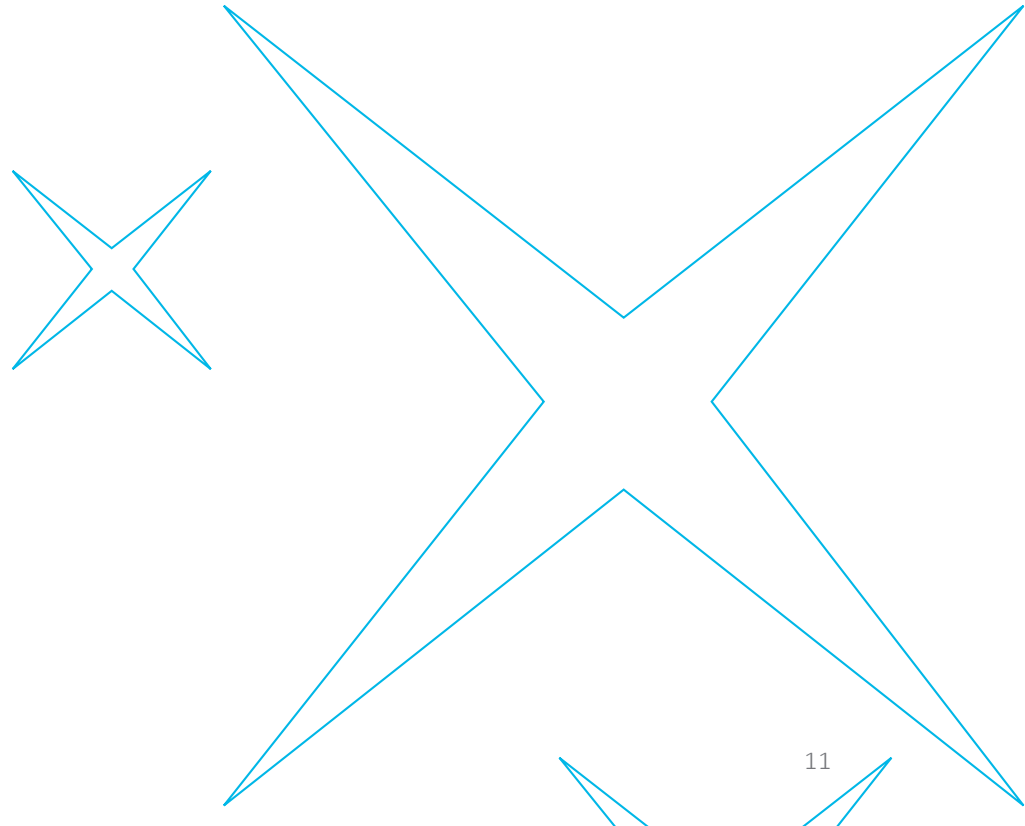
- ❑ This section requires detailed analysis and government input / support. This is to be progressed pending a decision further progress the work. The below has been provided for directional purposes only:
  - ❑ High level analysis undertaken by EECA estimates that a total of ~\$5bn capex could be required across all >500kW sites. We would not expect all sites to be in-scope (some will not be deemed long term viable, some will fall outside of eligibility thresholds – e.g. business revenues over agreed cut-off for support).
  - ❑ Optima Energy Management Solutions estimated the capital cost required across 32 firms able to transition in under 5 years to be \$532m (another 23 firms suggested it would take >10 years to transition).
  - ❑ Assuming 60% of the EECA identified cohort are in-scope (i.e. deemed viable and meet eligibility), total capex costs for fuel switching would range between \$532m and \$3bn.
  - ❑ Based on an assumed 40% debt contribution, this would result in a government debt contribution of \$212m - \$1.2bn, assumed recoverable at 90% over 10 years (assuming debt is extended for 10 years).
  - ❑ Based on an assumed 75% debt guarantee for private sector debt, government liability would be for \$240m - \$1.35bn. This would reduce by ~20% of the starting amount each year until fully repaid at the end of year 5. For this exercise we have assumed that 10% of the starting amount would be required to pay lenders for business defaults.

	Initial Amount	Amount Recovered / Retained	Recoverable Over
<b>Debt Contribution</b>	\$112m - \$1.2bn	\$190m - \$1.1bn (90%)	10 Yrs
<b>Debt Guarantee</b>	\$240m - \$1.35bn	\$216m - \$1.22bn (90%)	5 Yrs

## Action Required

**Minister for Energy and Minister of Climate Change to direct MBIE and MfE to engage CSF to provide specialist support across the work currently underway in this space.**

- ❑ CSF will continue to engage with finance, energy and industrial sector participants to obtain insights that support solution design.
- ❑ Minister for Energy and Minister of Climate Change to direct MBIE and MfE to engage CSF to provide specialist support across the work currently underway in this space.



## Engagement

### CSF has engaged with a wide range of participants to develop this proposal.

- ❑ The proposal in this pack has been developed based on engagement and discussions with senior practitioners from a wide range of entities within the sectors noted below. There is general support, however this should not be taken as formal endorsement noting the early-stage and incomplete nature of solution design.
  - ❑ Banks
  - ❑ Gentailers
  - ❑ Impact Investors
  - ❑ Government Agencies
  - ❑ Asset Managers
  - ❑ Fund Managers
  - ❑ Philanthropic Foundations
  - ❑ Advocacy Groups
  - ❑ Industry Groups / Bodies
  - ❑ Industrials
  - ❑ Consulting Firms

