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To: TaskForce@ea.govt.nz

Urgent Action Required: Structural Market Barriers Hindering Renewable Energy Investment

Tēnā koutou

Helios Energy supports the coalition government's commitment to accelerating renewable energy development and improving electricity market performance. However, we must emphasise that the current review fails to address critical structural impediments that are preventing independent developers from delivering much-needed projects.

As one of New Zealand's leading independent solar and Battery Energy Storage System (BESS) developers, Helios has spent five years navigating a market that remains fundamentally uncompetitive for new entrants. The result is delayed investment, suppressed competition, and an electricity market failing to meet decarbonisation and affordability goals. Without urgent intervention, New Zealand will continue to lag in attracting the capital needed to drive its energy transition and grow its economy.

Key Barriers to Investment:

- 1. Demand-Led Market Fails to Support New Generation**
The absence of mechanisms to de-risk generation projects ahead of demand results in supply constraints, high prices, and industrial stagnation. A purely demand-led approach is ineffective for timely renewable investment.
- 2. Insufficient Commercial and Industrial (C&I) Market Depth**
Large-scale renewable projects require long-term Power Purchase Agreements (PPAs), yet New Zealand's C&I sector is too small and fragmented to provide this support. This is a fundamental roadblock to securing financing for new capacity build-out.
- 3. Industrial Decarbonisation Stalled by Price Volatility**
Volatile and prohibitively high electricity prices deter large industrial users from transitioning away from fossil fuels, resulting in weak forward demand projections and increased risk for investment in renewables.
- 4. Lack of Clarity regarding New Zealand's Energy Market Future**
An enormous amount of capital will be required to build the electricity generation capacity necessary to meet future demand and grow NZ's economy. Without a clear non-partisan, long-term national energy strategy, offshore investors will struggle to justify putting capital to work here.

Solution: Transition to a Supply-Led Market

To ensure sufficient, reliable, and affordable energy for a growing economy, Helios believes a shift from a demand-led to a supply-led electricity market is essential. This fundamental change will guarantee market sufficiency and maintain competitive prices, instead of the current fundamentals which see a "just-in-time" (which is actually just-too-late) supply of new generation and high prices in response to "proven" demand.

Offshore markets have successfully implemented various supply-led reforms that have resulted in expansion of renewable capacity at pace with demand increases. By way of example:

- **Australia's Capacity Investment Scheme:** Incentivising the development of new generation capacity ahead of demand by socialising revenue risk.
- **United Kingdom's Contracts for Difference (CfDs):** Offering long-term price guarantees to renewable energy projects.
- **Renewable Portfolio Standards (RPS) in the US:** Creating guaranteed demand for renewable energy.
- **Feed-in Tariffs (FiTs) in Germany:** Providing long-term price certainty for renewable energy producers.

We encourage the Government to consider temporal intervention to accelerate renewable energy deployment, and provide consumer and investor confidence, with a scheme that:

- provides price certainty, potentially via a cap and a floor, to enable investors to commit to projects without 100% firm or PPA'd generation prior to Final Investment Decision;
- is competitively procured to ensure downward pressure on costs;
- is balanced to be self funding and structured to lower the risk of financial support being called upon;
- is technology agnostic, but is designed to encourage renewables;
- is volume capped or limited in scale, to ensure just-ahead-of time rather than too-much-too soon.

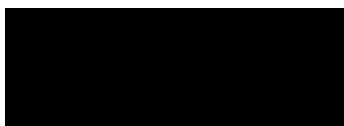
We are confident that a policy mechanism can be structured in a way that stimulates both supply and demand side activity, does not require direct government funding, presents a low and acceptable cost risk to consumers where the benefits outweigh the costs. Most importantly, mechanisms like these can be introduced at pace.

5. Conclusion

While we are ardent advocates of market led approaches, we believe stronger, but temporary, interventions are warranted to solve the “chicken-and-egg” problem of electricity supply and demand during New Zealand’s energy transition. The country currently lacks the customer base needed to write PPAs adequate to support investment in large-scale renewable energy projects. We believe the fundamental shift from a demand-led to a supply-led market is necessary, and several successful international market structures offer potential models for consideration.

Thank you for the opportunity to provide feedback on this important issue.

Nāku noa, nā



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